The Incorporated Accountants' Journal.

THE OFFICIAL ORGAN OF

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Letters for the Editors to be forwarded to them, care of the Secretary, as above. Correspondence, copies of reports and accounts, &c., will be welcomed from the profession.

Contents.

Professional Notes.

THE results of the examinations of the Society of Incorporated Accountants and Auditors, held in May last, are published in this issue. In the Final examination the total number of candidates was 261, of whom 8 were awarded honours, 141 passed and 112 failed. In the Intermediate examination there were 329 candidates, of whom 6 were awarded honours, 156 passed and 167 failed. The Preliminary examination showed a total of 216 candidates, of whom 3 were awarded honours, the passes numbered 123 and the failures 90. The percentage of failures in the Final examination was 43, in the Intermediate examination 51, and in the Preliminary examination 41.

In a recent article in the *Accountant* reviewing the proceedings at the annual meeting of the Society there appeared a comparison as between the results of the examinations of the Institute and Society respectively, showing that in the Institute the failures were 50 per cent. of the entrants as against 39 per cent. in the Society for the past year, the assumption being that the standard demanded by the Institute is higher than that demanded by the Society. We are not prepared to accept this assumption as correct, as the cause of the difference may be looked for elsewhere, but we venture to say that the Society's examination standard will compare very favourably with that of any of the older professional bodies.

The *Accountant* appears to have changed its views during the past year, as in reviewing the Society's annual meeting in May, 1924, the opinion was expressed that there was no adverse change in the standard of ability or preparation of the candidates, and also conveyed our contemporary's sense of the admirable manner in which the Society's examiners discharged their difficult duty of composing examination questions which often appeared to be a happy combination of the practical and theoretical, upon which the authors deserved congratulation.

The University of Oxford have accepted the work of Mr. Clement C. Gatley, LL.D., B.C.L., of Exeter College, Oxford, Barrister-at-Law of the Inner Temple, on "The Law and Practice of Libel and Slander in a Civil Action" for the degree of Doctor of Civil Law. This work has already been several times cited both in English and Colonial judgments, and we cordially congratulate Dr. Gatley, who is well known as one of the Society's examiners, upon this addition to his many academic distinctions.

Incorporated Accountants will receive with pleasure the announcement that the Secretary of the Society, Mr. A. A. Garrett, B.Sc. (Lond.), has been placed in the Second Class in Economics Tripos Part I (1924) and Part II (1925), qualifying for an honours degree at Christ's College, Cambridge. By the sacrifice of leisure and often of rest, Mr. Garrett has set a high example to the younger members and students of the Society, not only for the maintenance, but also for the increase of the traditions of the Society as a professional body having for its object sound training and high qualifications.

In the King's Birthday Honours List appears the name of Mr. W. Allison Davies, F.S.A.A., Borough Treasurer of Preston, Lancashire, and Hon. Secretary of the Institute of Municipal Treasurers and Accountants Incorporated, who is gazetted an Officer of the Order of the British Empire for valuable services in the work of Local Government. Mr. Davies is well known in Local Government circles and throughout the profession as the framer of the Annual Statement of Rates Levied in Various Towns, together with Charges for Gas, Water and Electricity, and the Profits and Losses on Municipal Undertakings, by which rates have been reduced or increased.

Speaking at the Congress of the International Chamber of Commerce held in Brussels on June 23rd, Sir Josiah Stamp said that economic truths had a nasty knack of not being as rosy as our desires or hopes, and we were tempted to wrap them up in pleasant language, to ignore them, or to hide them. Hence came attempts to balance budgets by financial expedients rather than resort to unpopular taxation, and attempts to raise the standard of living without a general increase in output per working hour. We are all indebted to Sir Josiah Stamp for his refusal to depart from the presentment of what he rightly terms "Economic Truths" which cannot be too persistently presented to the peoples of all countries —our own in particular.

Friends of Sir Josiah Stamp are to give him a complimentary dinner in London early in the autumn to mark his appointment as President of the Executive of the London Midland and Scottish Railway. He will be presented by Sir Max Muspratt, Vice-President of the Federation of British Industries, on behalf of the subscribers, with his portrait in oils, painted by Mr. J. A. A. Berrie, of Liverpool. The chairman of the presentation committee is Sir James Martin, President of the London Chamber of Commerce and ex-President of the Society of Incorporated Accountants and Auditors, and Mr. C. Hewetson Nelson, J.P., F.S.A.A., of Liverpool, is acting as hon. secretary and treasurer.

Mr. Arthur S. Baillieu, President of the Victorian Committee of the Society of Incorporated Accountants and Auditors, during his recent visit to England compiled, with Mr. George Fairbairn, a "Statement concerning Hospital Matters in Britain." The "Statement" extends to 74 pages of printed foolscap and comprises a review of Hospital Finance under the voluntary system. One paragraph in the Statement relates to departmental and Cost Accounts, and refers to a paper on this subject written by Mr. J. E. Stone, F.S.A.A., Chief Accountant of St. Thomas's Hospital, and read by him at a Conference of hospital officers in 1924. Mr. Baillieu and his colleague record their indebtedness to Mr. Stone for his invaluable assistance, and refer to his enthusiasm as a hospital finance officer.

In the House of Commons on the Report stage of the Finance Bill a new clause was inserted on the motion of Mr. Guinness, Financial Secretary of the Treasury, relieving brokers and general commission agents from liability to income tax on the profits of their non-resident principals. The broker (which term includes a general commission agent) must be a person carrying on *bona fide* the business of a broker in Great Britain and Northern Ireland, and must receive in respect of the business of the non-resident person which is transacted through him remuneration at a rate not less than that customary in the class of business in question. This change in the law has been pressed for many years by the London Chamber of Commerce, as brokers and agents found themselves assessed in respect of foreigners' profits on goods sold through their instrumentality which very often did not come into this country at all. This result was highly damaging to the London market, as the brokers' world wide reputation brings in business to the advantage of Great Britain, which of course receives the income tax on the brokers' and agents' own profits but cannot obtain taxation on the profits of foreigners resident outside English jurisdiction, although many attempts have been made to collect it by direct assessment on the unfortunate brokers and agents, whose rightful position is at last recognised.

On the Committee stage of the Finance Bill a new clause was accepted by the Government providing that the allowance for income tax purposes of a deduction for wear and tear of plant and machinery (under Rules 6 and 7 of Cases I and II, Schedule D) should be extended so as to apply to a profession, employment, vocation or office, as well as to a trading undertaking. We do not know what interpretation is to be placed upon the term "plant and machinery" as applied to professions, but it would no doubt cover, for instance, motor cars used by doctors and others, and the instruments and other equipment of dentists.

An attempt was made to get a provision inserted in the Finance Bill of an income tax concession to companies in respect of profits not distributed amongst the shareholders, but, while sympathising with the object, the Government refused to entertain the proposal on the ground that it would involve a loss to the Revenue of seven and a half millions a year. It was also pointed out that the proposed clause dealt only with one class of savings, and, if the principle were once admitted, it would be impossible to stop short of giving remissions of taxation to all kinds of savings.

Another new clause was moved providing that an income tax payer with a salary under £500 should be allowed a deduction of £20 a year for travelling expenses between his residence and place of business, so as to encourage residence in rural areas. The clause was rejected.

There have been widespread complaints in connection with the regulations recently enforced by the Inland Revenue Authorities requiring persons making reclaims of income tax to attend personally for identification. On this subject a motion was put down for a clause to be added to the Finance Bill at the Committee stage to the effect that personal attendance should not be required unless the consent of the General Commissioners had previously been obtained. In response Mr. Guinness stated, on behalf of the Government, that it was proposed to make certain modifications in the procedure. The regulations had been instituted purely to avoid abuse by fraudulent persons producing forged documents

and thus obtaining repayment to which they were in no way entitled. He appreciated, however, that certain people of whose *bonâ fides* there was no doubt had been inconvenienced by the system in force, and it was proposed for the future that the necessity for further evidence beyond the production of dividend warrants should apply only in the case of people with no settled residence, and that in these cases it would in future not be necessary for the claimant to call in person or be put to the inconvenience of trying to get, for the substantiation of his claim, documents which were not in his possession, provided:—

(*a*) That he would put the inspector of taxes in touch with his banker or solicitor who might have the custody of the stock or share warrants or title deeds which showed the possession of the income from which the repayment was claimed; or

(*b*) Where these documents were held by trustees it would be sufficient if the names of the trustees were sent provided these trustees were people of settled abode who could be approached with the view of getting an unimpeachable certificate as to the existence of the warrants.

This seems to meet the case fairly and still enable the Inland Revenue to put a check upon fraudulent applications for repayment of tax, which have been getting more and more prevalent since the high rates of taxation came into force.

In a subsequent answer to a question in the House of Commons, the Secretary to the Treasury stated that so far as possible the special procedure would be limited to persons residing in boarding houses and hotels or who had only a temporary address, and that care would be taken that any request for a personal call or for a certificate from a solicitor, &c., having custody of documents, would not be asked for if the necessity could be avoided. He also stated that the new instructions would be issued at once to all officers concerned.

The basis of assessment in the case of the setting up of a new business was decided by Mr. Justice Rowlatt in the case of *Betts* (*Inspector of Taxes*) v. *Clare & Heyworth, Limited*. The business commenced on March 1st, 1919, and a ten months account was made up to December 31st of that year. Subsequently it was decided that the accounts should be made up annually to March 31st, and a further three months account was prepared. During this three months period the business was very prosperous and large profits were made. The assessment for the portion of the tax year 1918-19, from March 1st to April 5th, was made on the basis of the first ten months account and was not disputed, but for the year 1919-20, the Inland Revenue claimed to make the assessment on $\frac{13}{10}$ths of the combined profits of the ten months to December 31st, 1919, and the three months to March 31st, 1920. The company on the other hand contended that the assessment for 1919-20 ought to be made on $\frac{3}{10}$ths of the profits shown by the first account for the ten months to December 31st, 1919.

His Lordship said that the question turned on the construction of Rule 1 (2) of the Rules applicable to Cases I and II, Schedule D. When it was necessary to take an average expressing the relation of quantity to time there had to be two periods: (1) the period *for* which average had to be ascertained and (2) the period *over* which the accounts had to be brought into calculation for the purpose of arriving at the average. He thought the meaning of the rule was that the period *for* which the average was required was a year, and that the period *over* which it was to be taken was from the first setting up of the business to a point not specified. The question between the parties was whether it ended before the year of assessment or whether it ran into the year of assessment, and, if the latter, whether to the end of the year or to an intermediate point to which the accounts happened to be made up. In his Lordship's opinion the point was settled by the Scottish Courts in the case of *Burntisland Shipping Company, Limited*, where it was decided clearly that where the three years' average was not applicable the average was to be taken over "the shorter antecedent period"—*i.e.*, antecedent to the year of assessment.

In the case before him, the balance-sheet to December, 1919, which ran into the year of assessment but included the preceding period, might be looked at for the purpose of ascertaining the profits of the preceding period, but when the Crown sought to include the further account which did not cover any portion of the preceding period, and brought in greatly increased profits, there was no authority for such a course. The appeal of the Crown accordingly failed.

A case which throws an interesting light on the offers for sale of large quantities of Government linen a few years ago was heard in the King's Bench Division last month. From the facts which were disclosed in the course of the hearing it appears that the Government disposed of their whole stock of aircraft linen at the end of the war, amounting to nearly 45,000,000 yards, to a purchaser named Martin, who paid a deposit of £50,000 and agreed to take delivery and pay for the whole within six months from June, 1919.

The purchaser was apparently hoping to sell the goods to the Irish linen manufacturers, but the Belfast Linen Manufacturers Association refused to entertain his offer. He then came to the conclusion that the members of the Association had a monopoly of the linen business in the United Kingdom and that there was no prospect of disposing of the linen within the six months period unless he could induce them to purchase a substantial part of it. In order to alarm them he accordingly started an extensive advertising campaign by means of circulars and press advertisements, and the opening of an office with a large staff. The result was that a number of Irish

firms purchased about three-fourths of the linen, while about 5,000,000 yards were sold for export and another 5,000,000 by retail sales, the whole apparently producing a profit of some £1,700,000 on which the Inland Revenue claimed to assess him for income tax purposes. His contention was that the whole deal was a speculation and came within the category of casual profits. In this contention, however, he failed, the Judge holding that he was undoubtedly carrying on a business, and was therefore clearly assessable on the profits which he made.

An important decision affecting especially holders of War Stocks from which tax is not deducted at the source has been given by Mr. Justice Rowlatt in the case of *Grainger* (*Inspector of Taxes*) v. *Maxwell and Others*. Certain Exchequer Bonds and War Stocks were held in the year preceding the year of assessment, but the Exchequer Bonds had ceased to be held in the year of assessment, and the question arose whether the Exchequer Bonds and War Stocks formed one class so as to establish the right of the Inland Revenue to assess the whole income from that class on the basis of the amount received in the preceding year—in other words, whether these particular securities should be regarded as a whole, or segregated and treated separately. It will be remembered that in the case of *The National Provident Institution* v. *Brown*, it was held that income could not be assessed unless there was an actual source of income in the year of assessment, as otherwise there was nothing to which the measure of the previous year's income could be applied.

His Lordship pointed out that the Court of Appeal in Brown's case carefully guarded against deciding anything more than the question before them, and what he had to decide was whether he was to group the Exchequer Bonds and the Securities issued under the War Loan Acts 1914-17 together, because they were named together under Rule 1 (f) of Case III. He could only say that they were separately mentioned, and he considered that they should be treated as separate sources of income. He therefore decided that the Exchequer Bonds and War Stocks should be treated as separate heads of income for tax purposes. The effect of this decision is that the income from any particular class of security liable to direct taxation ceases to be taxable if the security has been sold before the commencement of the year of assessment.

Another important judgment in relation to tax on income from Government securities was given by the same Judge in *Wigmore* (*Inspector of Taxes*) v. *Thomas Sumerson & Sons, Limited*. In this case the Inland Revenue sought to assess the accrued interest on stock which was sold between dividend dates, but only in the case of securities not taxed at the source. Their contention was that the seller must be assessed on the accrued income up to the date of the sale, and the purchaser on the income between that date and the date he received the interest or resold the stock. In doing this it was pointed out by the Judge that the Inland Revenue Authorities were not seeking to achieve any gain to the Revenue, but only to protect the purchasers who declined to be taxed on interest which had accrued on the securities at the date of purchase. This we think will hardly bear close examination, as the Inland Revenue are not in the habit of fighting other peoples' battles.

The real reason for the action of the Authorities probably is that purchasers of War Loan sometimes return as income only that portion of the interest which accrued since the date of purchase and treat the balance as capital, or that by buying immediately after a dividend is paid and selling immediately before another dividend is paid, certain persons reduce the amount of income which otherwise they would have to return for super tax purposes, while the person who receives that income may not be liable to super tax at all. In any case, Mr. Justice Rowlatt declined to uphold the claim. He said it was a curious feature that the Inland Revenue did not seek to apply the same principle in cases where tax was deducted at the source. The confusion which would have resulted had the contention of the Crown been upheld can readily be imagined.

The Poplar Borough Council have now agreed to reduce the wages of their employees in order to bring them into conformity with the recent decision of the House of Lords, in relation to the surcharge made by the District Auditor. The reductions proposed vary from 7s. 6d. to 2s. 6d. per week, and are to be made by stages.

Proxies in Bankruptcy.

A "PROXY" is a person; he is not a creature of the common law, but rather a modern invention. There is, however, an exception to this rule. Voting by proxy in a division was formerly a privilege exercised by the House of Lords. This right has apparently never been surrendered, but in fact it has never been exercised since 1868, when the Lords agreed to the adoption of a standing order, viz, "That the practice of calling for proxies be discontinued."

Formerly at elections for local boards an elector was entitled by statute to vote according to the property of which he was owner and for which he was rated, being allowed a maximum of six votes, and he could also vote by proxy. This was abolished by the Local Government Act, 1894.

There being no common law right to vote by proxy, such power must be expressly provided for by statute, *e.g.*, sect. 69 of the Companies Act, 1908, which gives powers to companies to allow voting by proxy, not as an absolute right but only if the regulations governing the company so provide.

A proxy is a lawfully constituted agent appointed to act for another, usually for the purpose of voting at a meeting (*Re English, Scottish, &c., Bank* (1898) 1 Ch., 481). The term is also loosely applied to the

instrument of proxy which authorises one person to represent and act for another.

In bankruptcy any creditor may, by an instrument in the prescribed form, appoint a person to represent him as a proxy in the matter of the bankruptcy. If in general terms, the proxy operates as an authority for the appointee to vote at all meetings, receive dividends, and generally to act in all matters in the bankruptcy as fully as the creditor himself could act. A person who is appointed by a creditor to act as his proxy cannot himself be the attesting witness to the instrument of proxy (*Re Parrott* (1891) 2 Q.B., 151).

The proxy system under the Bankruptcy Act, 1869, gave rise to much abuse, and rules now regulate to whom and in what circumstances general and special proxies may be given (First Schedule, Rules 18 and 19, *post*).

In *Re Whitehouse* ((1880) 13 Ch.D., 429) it was held that a creditor of a liquidating debtor, who signs a proxy in blank and sends it to his solicitor, who forwards it to the debtor's solicitor without any instructions as to the use to be made of it, thereby confers on him an implied authority to fill up the proxy with his own name and to vote on his behalf.

Sect. 20 (2) of the Act of 1914 provides that the committee of inspection shall consist of not more than five nor less than three persons, *inter alia*—

(*a*) The holder of a general proxy from a creditor;

(*b*) A person to whom a creditor intends to give a general proxy.

A creditor may give a general proxy to his manager, or clerk, or any person in his regular employment (First Schedule, Rule 18). In *Re Baum* ((1880) 13 Ch.D., 424) it was held that a creditor who is present at a general meeting of creditors under a liquidating petition cannot be considered as present on behalf of another creditor for whom he holds a proxy, notwithstanding the fact that the proxy is on the file of proceedings, unless he has done some act to show that he intends to be present on that occasion on behalf of his principal as well as on his own behalf. The appointment of a proxy under the Bankruptcy Act and Rules thereunder only confers on the person so appointed an authority to represent his principal; it does not necessarily follow that he in fact represents his principal on all subsequent occasions when he is present at a meeting, unless he would have no right to be present in any other capacity. Now by Bankruptcy Rules 264 and Rule 20 of First Schedule a proxy must be deposited with the Trustee or Official Receiver not later than the day before each meeting at which it is used, and probably the doing of this would be held sufficient evidence that the person holding the proxy was acting on behalf of the appointor. In *Re Wright* ((1879) 10 Ch.D., 554) it was held that the committee of the estate of a lunatic who is a creditor of a liquidating debtor has no power, without the sanction of the Court in Lunacy, to appoint a proxy to vote on behalf of the lunatic in the liquidation proceedings, or to waive any of his rights against the debtor's estate. This was the law under the Bankruptcy Act, 1869, but now by sect. 149 of the Act of 1914 it is provided that for all or any of the purposes of this Act a lunatic may act by his committee. In *Re R.S.A.* ((1901) 2 K.B., 32) it was held that where the committee of a lunatic debtor has been authorised by the Court in Lunacy to take preliminary proceedings with a view to making him bankrupt, by filing in his name a declaration of insolvency, no subsequent steps, such as admitting the debt of a creditor who may have presented the bankruptcy petition, or consenting to an adjudication, should be taken by the committee without first obtaining the sanction of the Court in Lunacy.

The right to vote by proxy in bankruptcy is also provided by sect. 74 (1) (*d*) of the Bankruptcy Act, 1914, which enacts that the Official Receiver shall issue forms of proxy for use at the meetings of creditors. The First Schedule also makes further provision, *inter alia*, as follows:—A creditor may vote either in person or by proxy (Rule 15). Every instrument of proxy shall be in the prescribed form (Rule 16). General and special forms of proxy are to be sent to the creditors, together with a notice summoning a meeting of creditors (Rule 17). A creditor may give a general proxy to his manager or clerk, or other person in his regular employment. In such case the instrument of proxy shall state the relation in which the person to act thereunder stands to his creditor (Rule 18). The words "regular employment" are important. The ordinary relation of solicitor and client does not enable the client to give a general proxy to his solicitor.

A creditor may give a special proxy to any person to vote at any specified meeting or adjournment thereof on all or any of the following matters:—

(*a*) For or against any specific proposal for a composition or scheme of arrangement;

(*b*) For or against the appointment of any specified person as trustee at a specified rate of remuneration, or as member of the committee of inspection, or for or against the continuance in office of any specified person as trustee or member of a committee of inspection;

(*c*) On all questions relating to any matter other than those above referred to, arising at any specified meeting or adjournment thereof (Rule 19).

No person acting under a general or special proxy shall vote in favour of any resolution which would directly or indirectly place himself, his partner or employer, in a position to receive any remuneration out of the estate of the debtor otherwise than as a creditor rateably with the other creditors. But where any person holds special proxies to vote for the appointment of himself as trustee he may use the said proxies and vote accordingly (Rule 27).

The Bankruptcy Rules, 1915, also make provision as to making, filing, and signature of proxies.

Rule 194 of 1915 provides: "The holder of a general proxy or general power of attorney from a creditor who has tendered a proof may question the debtor at his public examination concerning his affairs and the causes of his failure." This supplements the provisions of sect. 15 (4) of the Act of 1914: "Any creditor who has tendered a proof,

or his representative authorised in writing, may question the debtor concerning his affairs and the causes of his failure."

When a proxy has been used it must be filed with the proceedings in the matter (Rule 264 (2)), and the Official Receiver or, as the case may be, the Trustee will file it.

By the Stamp Act, 1891, sect. 80, every letter of attorney appointing a proxy, and every voting paper charged with the duty of one penny, is to specify the day upon which the meeting at which it is intended to be used is to be held, and is to be available only at such meeting and any adjournment thereof. The duty may be denoted by an adhesive stamp to be cancelled by the person executing the instrument, and such letter of attorney or voting paper is not to be stamped after the execution thereof. Every person who makes, executes, votes, or attempts to vote by means of such letter of attorney or voting paper, not being duly stamped, incurs a fine of £50, and every vote given or tendered by means of the letter of attorney or voting paper is void.

An adhesive stamp used on a letter of attorney for appointing a proxy to vote at a meeting is sufficiently cancelled by writing across it of part of the name of the person cancelling it, or the date of cancellation alone, or other marks of a defacing nature (*McMullen* v. "*Sir Alfred Hickman*" *Steamship* (1902) 71 L.J., Ch., 766). This proxy cannot be stamped after execution unless executed abroad. By the Finance Act, 1907, sect. 9, proxies executed abroad may be stamped with a penny stamp within 30 days after arrival in the United Kingdom. Proxies in which the day of meeting is not named may be stamped after execution with a 10s. stamp (*Re English, Scottish, &c., Bank, ante*). Separate proxies for separate specified meetings may each be stamped with a penny stamp and used for the specified meetings. In *Ex parte Lancaster* ((1877) 5 Ch.D., 911) it was held that a proxy paper signed by a creditor, leaving the name of proxy in blank, may be filled up by the person to whom the creditor has entrusted it, and that when so filled up it will be valid. In *Sadgrove* v. *Bryden* ((1907) 1 Ch., 318) it was held that provided a proxy paper be stamped with a penny stamp on execution, the date of execution and the date of the meeting at which it is to be used may be filled in afterwards by any person duly authorised by the giver of the proxy to do so, even though at the time of execution the date of the meeting has not been fixed.

A notice convening an extraordinary general meeting to confirm a special resolution was accompanied by a circular with a proxy attached, asking for the return of the proxy in support of the resolution. By a printer's error the date of the meeting was left blank in the proxy. Several of the proxies were executed and returned duly stamped without the blanks being filled up, this being done by the secretary before the proxies were lodged. It was held that the proxies were valid (*Ernest* v. *Loma Gold Mines* (1897) 1 Ch., 1). Forms of general and special proxy—which forms an obligatory—are provided by the Rules. See First Schedule, Rule 16, and Forms 64 and 65.

Insurable Interest.

THE decision in the House of Lords in *Macaura* v. *Northern Assurance Company* is calculated to make people think. The plaintiff was the only shareholder in a one-man company, holding personally or through his nominees all the £42,000 issued capital; he was also a creditor of the company for £19,000, and practically its only creditor. He insured, in his own name, the company's stock of timber; a fire followed, and the insurance company refused to pay. The grounds for refusal were various, and some of those alleged involved serious charges, but on inquiry before the arbitrator they all failed except the legal point, that the plaintiff had not, at the time of effecting the insurance or since, an insurable interest in the timber. This defence the arbitrator upheld, and his award has been supported by two successive Courts in Northern Ireland, and now finally by the House of Lords. The decisions were unanimous, and therefore it must be taken that there is really no doubt whatever on the legal question.

It was very natural that the plaintiff should fall into error, for the timber was lying on his own land. It had belonged to him, and he had sold it to the company. In popular or commercial language, the company was his also. It might in this free and easy way be argued that he owned the company. The company owned the timber; therefore, on the principles of elementary deductive logic, he owned the timber. If that would do, the insurance would have been indisputable, for everyone has an insurable interest in his own property. But in law it is too plain for argument that the timber was the property, not of the plaintiff, but of the company, and the company is an entirely separate legal person from the plaintiff. It is true that in his own name, or in the names of his nominees, he held all the shares of the company, but he did not purport to insure the shares against fire. In this respect he was on the horns of a dilemma. The shares were his, but they are not insurable and were not insured; the timber is insurable, but it was not his. It is, of course, quite true that ownership is not the only insurable interest. Everyday instances are mortgage rights, rights *in rem*, and liens, including the lien of an unpaid vendor. But none of those cases could be made to fit the plaintiff. A shareholder is certainly not a mortgagee, and no shareholder has any specific right in any particular asset of the company. No doubt he was also a creditor, but a creditor is not necessarily a mortgagee, and in fact the plaintiff held no security over the timber, not even a floating charge, for his £19,000 of debt. Nor could he suggest a lien as vendor for the price of the timber sold by him to the company, for there also the loophole was effectually blocked, inasmuch as that price had been satisfied by the issue of the shares to him. True, there was the separate debt of £19,000 due to him, and here we come upon a fine legal distinction, that, while a man cannot mortgage his own life, every creditor of his has an insurable

interest in the life, which will support a life assurance policy; but, *per contra*, though a man may mortgage his assets, his ordinary unsecured creditors have no insurable interest in those assets so as to support a policy of fire insurance.

It is probable that business men will be disposed to think that the decision is a triumph of legal theory over common sense and substantial justice. Putting it otherwise, it is a very touchstone of the possession of the legal sense, which most business men would rather be without. Thus the law attaches absolutely no importance to the fact that the plaintiff was the only shareholder and substantially the only creditor; the case is taken exactly as though he had held only one £1 share out of a large share capital. Lord Sumner, who is one of the ablest living lawyers, said that the plaintiff "had no concern in the subject insured," which attaches an extremely technical meaning to the word "concern." Again, "after the fire he was directly prejudiced by the paucity of the company's assets—not by the fire."

All this trouble and loss would have been avoided if the policy had been in the name of the company. But as the question has been thus raised of the insurable interest of a shareholder and of an unsecured creditor, it is not to be too hastily assumed that it could not be managed even without bringing in the company. It would probably not be impossible to procure insurance against a loss on the shares or on the debt, confined to such loss as could be shown to have resulted from destruction of the timber stock by fire, but this is a very different thing from insuring the timber—at least in the eye of the law.

The moral is to make certain that upon the formation of a company to take over a business, the fire insurances are at once put into the company's name.

PERSONAL ATTENDANCE IN REPAYMENT CLAIMS.

We deal in "Professional Notes" with the statement of Mr. Guinness in Parliament on this matter. The following is a question subsequently put, on June 19th, and the reply of the Secretary of the Treasury thereto:—

Sir Henry Buckingham asked the Secretary to the Treasury whether he would define more precisely what persons with no settled residence would be affected by the new procedure on claims for repayment of income tax, and whether he could say how soon the new arrangements would be brought into force.

In a written answer it is stated:—In reply to the first part of the question, the persons affected are those who are not identifiable as householders or voters, and who cannot otherwise be identified by the Department. So far as possible the special procedure will be limited to persons who reside in boarding houses or hotels or have only a temporary address. There will of necessity be cases such as those of persons who have just changed their residence or of persons living in the houses of relatives whose identity cannot be established from books of reference or otherwise, but care will be taken to see that any request for a personal call or for a certificate from a solicitor, &c., having custody of the relevant documents is not asked for in such cases if the necessity can be avoided. In reply to the second part of the question, an instruction will be given to all officers concerned in the first days of next week.

Institute of Municipal Treasurers and Accountants.

Conference at Torquay.

[SPECIAL REPORT.]

There was evidently one predominant idea that ran through the proceedings of the 40th annual meeting of the Institute of Municipal Treasurers and Accountants at Torquay on June 17th to 19th. From the delivery of the Presidential Address on the Wednesday morning to the close of the Conference on the Friday the idea of financial control and the powers of the financial adviser ran like a red line through every paper and throughout the discussion. It was an innovation for the Presidential Address to be discussed, but the discussion was of a helpful character, and was opened by Alderman Hannington, Deputy Mayor of Harrogate, who suggested that it all depended upon the personality of the financial advisor as to whether his advice would be sought or not by members of the local authority. Councillor Bending, Chairman of the Finance Committee of Bexhill, said they were obliged to deal with the housing problem, for otherwise it would be a menace to the community. Alderman Boucher, of Wigan, believed that the President was voicing the views of many borough treasurers. They were indebted to the Institute for their training of efficient financial officers. Mr. Allcock, of Cardiff, said the rate burden to-day was great, but in most towns the increased rateable value enabled them to keep pace with the increased cost of municipal services. The question of capital expenditure, however, needed careful watching. Housing and education would not wait, but all other forms of expenditure could be postponed, and it was the duty of municipal administrators to try to postpone projected schemes of capital expenditure on other objects. Whilst admitting the value of education in every department of life, he doubted the wisdom of selecting University men for the higher posts in preference to those who had been trained and equipped by a life experience in municipal administration. Councillor Richardson, of Hull, stated that their anxieties were being increased by the encouragement that was being given to enter upon capital expenditure for the purpose of providing work for the unemployed.

Thursday morning was devoted to the consideration of a paper by Mr. Robert Paton, the City Chamberlain of Edinburgh, on "Rules and Principles Governing Public Expenditure, particularly Municipal Expenditure." In the discussion that ensued, Councillor Cameron (West Hartlepool) said the apathy of the public in connection with municipal matters was most lamentable. In November when the elections came along, the ordinary business man would not even take the trouble to record his vote. If the public took a greater interest in such matters as housing, things would soon rectify themselves. Mr. Moses (Newport) said there seemed to be an idea prevailing that there was a bottomless well somewhere, and whether men did their best or not they could always get something out of it by some means or another. In his town of Newport they had a committee of no fewer than 40 economists, but still they did not economise. (Loud laughter.) Colonel Moody (Stourbridge) said the trouble with regard to unemployment and high prices was because politicians had been trying to find methods of artificially interfering with the law of supply and demand, which was fatal. Mr. Berry (Walthamstow) said he came from the unfortunate West Ham Union, where they had a terrible amount of unemployment. They had already borrowed about two millions, and he did not see how they could possibly repay that amount. The whole question of charges was bound up with necessitous areas, and it was impossible to lay down any hard and fast rules. His budgets were continual nightmares. Alderman Swayle (Manchester) said his Finance Committee was anxious to keep their rates down as low as possible. In Manchester they were spending £1 per head of the population on education. Councillor Wilmott (Mayor of Camberwell) advocated the expediency of each ratepayer owning his own house. Alderman Blanchard (Deputy Mayor of Sheffield) wished to warn the conference against platitudes, one of the most popular of which was that they could not afford to be parsimonious in housing, education and health. These three

matters were the most fruitful causes of high rates in our various cities, and high rates were a direct charge on the cost of production, whilst taxes were levied after they had obtained the fruits of production.

The address by Dr. Gibbons, the Assistant Secretary of the Ministry of Health, on Thursday afternoon was anticipated with very great interest, and his delivery was punctuated with frequent expressions of approval. His subject was "The Finance Officer: his Place in the Official Organisation," and he added to his printed paper by saying that whilst economy was in everybody's mouth it was little in practice. They had to recognise that they were living in a time when there was a growing demand for new services, and he confessed he saw no slacking in the demand for communal service. They required the positive virtue of thrift, which was not so much that of actual saving as seeing that what they spent was to the best advantage. It was their bounden duty to see that they attained to greater efficiency and at less cost than heretofore. Colonel Moody (Stourbridge) led off the discussion by stating that the institution of the costing system in the Army after the outbreak of the Great War led to the saving of 6s. per ton on forage. Mr. Craven (Hornsby) suggested that the costing results should be published for the information and benefit of the public. Mr. Smith (Bristol) advocated a general overhauling of their present methods, as he considered that 90 per cent. of the statistical information now demanded was a complete wastage. He was in communication with the Chief Inspector of Taxes on certain points. Whilst certain improvements would be effected by the Rating Bill now before Parliament, it left them with two collecting offices to do the work of one. Mr. Henderson (Willesden) pointed out that there was a clear cleavage between the various executive departments and the financial officer. The costing system was excellent, but there was the tendency to become costing mad, so that the extra cost involved wiped out all the benefits obtained from it. He advocated a continuous audit. Mr. Bateson (Blackpool) contended that the whole business of municipal financial administration required to be brought up to date by the institution of a Government department which could exercise control over waste. The Statutes governing them were out of date, and he was glad that the Ministry of Health had taken up the question of efficiency with economy, in connection with which he suggested that the Council of the Institute might well give a lead to the country. Sir William Howell Davis (Chairman of the Finance Committee of Bristol) thought that the powers of borough treasurers might be enlarged. The present tendency was for extravagant expenditure, and expenditure was really governed by policy. The cost of labour was the cause of the great increase in the rates, combined with housing and other things that they had been obliged to undertake. Alderman Waddington (Halifax) attributed their present difficulties to the lethargy of their forefathers. What they wanted was good business men on their town councils, and then there would be no necessity for them to go to their borough treasurers for advice on various matters. What did borough treasurers know about electricity or gas, or housing, or other things more than they as members of the local authority? For that matter, what did bankers know more than they knew themselves? (Loud laughter.) Mr. Butterworth (Hastings) said the increased rates were due to the increased cost of labour and material, and the increased services that were being rendered by municipalities. Mr. Johnson (London County Council) considered the paper to be provocative and stimulating. He considered that the ideal municipal system existed in his body, where they had a combination between the executive officers, the public representatives and the financial advisors, to the great advantage of all concerned. Mr. Ashmole (Swansea), after 29 years' experience of the Institute, said their work was simply marvellous. He exhorted them not to consider themselves as little tin gods, but the question of personality was the dominating factor in many places. Dr. Gibbons, in reply, said his department considered it to be most essential that there should be co-ordination amongst the various departments. Costing was essential, although he was aware that many statistical statements were not worth reading. He advocated a thorough system of comparative returns. There was a Public Health Amendment Bill before Parliament this year, and there would be another one next year, for they had 50 years of arrears to make up. He pointed out that the question of income tax was involved in the Bills now before Parliament, and the Ministry of Health would be glad to consult the members of that Institute as to the preparation of certain rules and regulations concerning the questions of finance.

The final meeting on Friday morning was devoted to the consideration of a paper by Mr. James Mitchell, City Treasurer of Leeds, on "The Tendency towards Consolidation in Municipal Finance." Sir William Howell Davis (Bristol) deprecated transfers from one bank to another, as in the case of Leeds, to avoid excessive balances, because in his opinion it necessarily involved inconvenience and loss. He considered that the idea of charging for electricity on a rental value would simply lead to its excessive and extravagant use. Mr. Butterworth (Hastings) denounced the idea of having four banks for their moneys as being the worst possible system they could imagine, and the transfers must entail a tremendous lot of work upon the treasurer's department. He contended that they only needed to have one account at one bank. Mr. Sanders (Barking) advocated a flat rate per quarter for electricity, to be charged according to the number of lights installed. This would avoid the cost of purchasing and also the reading of meters. Mr. Lawrence (Aberdare) interposed with the expression of opinion that unemployment ought not to be a local but a national charge. Another delegate predicted that there would be an appalling extravagance in the use of electricity if the charge was based upon the rateable value. In his reply Mr. Mitchell said the utilisation of four banks at Leeds was due to certain influences, but the terms were all alike, and if he was at liberty to disclose those terms they would all welcome having as many banks as possible. He said that the idea of charging for electricity by rateable value was advocated by one of the most eminent electrical engineers in the country. Incidentally he mentioned that the Public Works Loan Commissioners would have nothing to do with consolidated loans, although the latter was favoured by the Ministry of Health.

Votes of thanks concluded the proceedings, Mr. Johnson (London County Council) proposing the principal vote, to which the Mayor of Torquay responded. Mr. Riding, Borough Treasurer of Torquay, also replied, after which Mr. Lord (Acton) was inducted as the new President, and paid a tribute of affection to his first chief, Mr. Elliott, who was absent from that conference for the first time for 40 years. Mr. Taylor (Stourbridge) suggested that at future meetings business sessions should be confined to the morning, leaving the afternoon free. Southport was selected for next year's conference.

Society of Incorporated Accountants and Auditors.

MEMBERSHIP.

The following additions to the Membership of the Society have been completed since our last issue:—

ASSOCIATES.

CORNER, RICHARD ALFRED, Clerk to Hilditch & Young, Barclays Building, Old Hall Street, Liverpool.

COX, LIONEL, Clerk to John Brown, 23, Exchequer Street, Dublin.

HALLS, FREDERICK SIDNEY, City Treasurer and Accountant's Department, Guildhall, Gloucester.

PIGGOTT, ERNEST BADEN, Clerk to Price, Waterhouse, Faller and Co., 591, Calle Sarmiento, Rosario, South America.

WRIGHT, CEDRIC ALFRED, Clerk to S. E. Foster, 3, Bank Street, Ashford, Kent.

Professional Honour.

The Lord Chancellor has placed on the Commission of the Peace for the Borough of Bridgwater Mr. H. M. B. Ker, Incorporated Accountant.

District Society of Incorporated Accountants.

SOUTH WALES AND MONMOUTHSHIRE.

SWANSEA AND DISTRICT STUDENTS' SECTION.

The third annual dinner of the Swansea and District Students' section was held recently at the Hotel Metropole, under the chairmanship of Mr. G. Brinley Bowen, F.S.A.A., who was supported by the Deputy Mayor (Alderman T. A. Lovell), Mr. G. E. S. Heybyrne, F.S.A.A. (President of the District Society), Mr. Percy H. Walker, F.S.A.A. (Hon. Secretary of the District Society), Mr. R. A. Wetherall, F.S.A.A. (Borough Treasurer of Swansea), Mr. H. Edwards, F.S.A.A., Mr. S. Lloyd-Francis, F.S.A.A., Mr. W. G. Miles, A.S.A.A., A.C.A., Mr. T. H. Griffiths, A.S.A.A., Mr. W. H. Charles, A.S.A.A., Mr. H. J. Thomas, M.Com. (Birmingham), Mr. Arthur Jones, B.Sc. (London), Mr. T. O. Morgan, A.S.A.A. (Hon. Secretary), and about 40 student members.

Mr. Henry Edwards, F.S.A.A., in the absence of Mr. Ashmole, proposed "The Mayor and Corporation of Swansea" coupled with the name of Alderman T. A. Lovell, and said that the original idea of the students' section was to teach the members how to get ready for their examinations. It was purely and simply an educational section, and he thought it only meet that the Corporation of Swansea should be represented at a meeting of that description, because they were the educational authority of Swansea. The section should thank the Corporation, too, for allowing them to meet every fortnight at the Guildhall. There were no Incorporated Accountants yet on the Council, but by the way some of the Society's young men were shaping it would not be long before one or two of them got there.

Replying, Alderman Lovell, who said that the Mayor (Alderman John Lewis) was very sorry he was unable to be present, remarked that the students' section was bound to be a great help to the young men of their profession. Accountancy in these days covered a wide field. He had heard it described as a precarious livelihood by ascertaining the profits and the wealth of other people, although in some cases they ascertained the losses and poverty also. Referring to the Council, Alderman Lovell said it was a very good, if not a perfect, one, and if the councillors appeared to hate each other sometimes it was only because they loved the old town so well. Alluding to the Borough Treasurership, he said it was one of the most important and responsible posts. The capable official was, after all, an even better friend of the ratepayer than the councillor. Often by his economy and foresight he was able to save the ratepayer very large sums of money.

Mr. R. A. Wetherall, the Borough Treasurer, proposed "The Parent Society," and mentioned his 25 years' association with it. The Society was established in 1885. Its motto was "Diligence and Vigilance," and by actively observing that motto had grown to possess a membership of 4,000, ranging from China to Peru. He mentioned the splendid work done for the District Society by Mr. Walker (the Secretary) and Mr. Heybyrne (the President).

In replying, Mr. G. E. S. Heybyrne, F.S.A.A. (Newport), said that the South Wales and Monmouthshire District Society was considered by the Parent Society to be one of the strongest in the Provinces. He was informed by the Secretary that the membership was 222, and it had been established 31 years. They had still on the Committee one member who took part in the original formation, and also another member who used to be on the Committee was still a member of the Society.

Mr. P. H. Walker, F.S.A.A. (Cardiff), the Hon. District Secretary, whose name was coupled with the toast, also responded.

Mr. H. J. Thomas proposed "The Students' Section," and the Chairman, responding, emphasised the fact that the examinations were only stepping stones in the journey of the student. He urged them to continue their connection with the section after the Final examination so as to further increase their knowledge.

"The Lecturers" was proposed by Mr. A. Watkins, A.C.I.S., and responded to by Mr. Arthur Jones, B.Sc., and Mr. D. J. Charles, B.A.

Prizes.—During the evening the Deputy Mayor (Alderman Lovell) presented the first prize for an essay on "Balance Sheets" to Mr. D. J. Charles, B.A., Llanelly, and a prize each to Mr. H. Atkins (Borough Treasurer's Office) and Mr. G. M. Squire (Messrs. Ashmole, Edwards & Goskar), who tied for second place. Mr. Charles was also awarded a prize for the best contribution to discussions during the session.

Changes and Removals.

Messrs. Cato, Jones & Co. have removed to 5, Clement's Inn, London, W.C.2.

Messrs. Grover & Son have removed to 10, Mark Lane Station Buildings, Byward Street, London, E.C.3.

Mr. R. Horsefield, Incorporated Accountant, has commenced public practice at 22, Reades Buildings, 8, Peter Street, Manchester.

Mr. J. Tannett MacKenzie, Incorporated Accountant, has removed from 175 to 179, West George Street, Glasgow.

Messrs. A. S. Madon & Co., Incorporated Accountants, have removed their offices to Watson Hotel Buildings, Esplanade Road, Fort, Bombay.

Mr. A. C. Nash, Incorporated Accountant, has removed to York House, 5/7, St. Mary Axe, London, E.C.3.

Mr. W. Nicklin, Incorporated Accountant, has taken into partnership Mr. Harry M. Rowe, Incorporated Accountant. The practice will be carried on as before under the name of W. Nicklin & Co. at 90, Deansgate, Manchester.

Mr. Walter Olfield, Incorporated Accountant, has opened a further office at 46, Castle Street, Hinckley.

Mr. Alfred Southern, Incorporated Accountant, has commenced public practice at 45a, Market Street, and 95, Esmond Road, Crumpsall, Manchester.

Messrs. Westacott, Quaife & Co. have removed to Gwyder Chambers, 104, High Holborn, London, W.C.1.

Messrs. C. Williamson, Milne & Co. announce that they have removed their chief office to Lloyds Bank Buildings, 16, St. James's Street, London, S.W.1, and have opened a branch office at 14, Cornhill, London, E.C.3. The title of the firm in future will be Milne, Gregg & Turnbull.

An announcement has been made that the firms of Charles H. Wilson and Williamson, Henderson & Co., Incorporated Accountants, of Leeds, will be amalgamated as from July 1st next. The joint practice will be carried on at 7, Greek Street, Leeds, under the style of Charles H. Wilson.

Professional Appointment.

Mr. John Dunlop Imrie, B.Com., Incorporated Accountant, has been appointed City Chamberlain of Edinburgh in succession to Mr. Paton.

Public Finance and Financial Officers.

PRESIDENTIAL ADDRESS delivered at the annual meeting of the Institute of Municipal Treasurers and Accountants at Torquay on June 17th by

MR. R. D. LAMBERT, F.S.A.A.
(*Borough Treasurer, West Hartlepool.*)

Mr. LAMBERT said: I propose in the brief period allowed to me for this address to make a few observations concerning national and local finance.

These observations may be divided into three categories:—

(1) The extent of and the prominence given to public financial obligations in recent years.

(2) The future trend.

(3) The officers of local authorities entrusted with the management of all matters concerning finance.

The first and second categories are more or less introductory to the third, as I desire to speak more particularly about the officers themselves than their duties.

THE EXTENT OF AND THE PROMINENCE GIVEN TO PUBLIC FINANCIAL OBLIGATIONS IN RECENT YEARS.

My first thesis is therefore the extent of and the prominence given to public financial obligations in recent years.

Universal attention has been attracted to this subject by reason of the rapidity of its expansion, and the immensity of the figures amply justify such prominence.

The annual national expenditure has increased from £197,000,000 in the year 1913-14 to £796,000,000 in the year 1924-25, while the National Debt has also increased during the same period from £661,000,000 to £7,646,000,000.

Concurrently, or nearly so, the annual local public revenue expenditure in England and Wales (excluding the amount received from the National Exchequer by way of grants) has increased from £126,000,000 to £288,000,000 in the year 1921-22—that period being the latest in respect of which the figures are available, while the local public debt has increased from £527,000,000 to £704,000,000, after deducting the amount standing to the credit of sinking funds for the redemption of debt, which at the latter date was £65 000,000.

The expenditure for debt services, included in the amount of annual expenditure for the latest years quoted, was as follows:—

In respect of the National Debt, £357,000,000.

In respect of local debt, £51,000,000.

These figures not only compel us to think of the direct consequences of such heavy annual charges, but also cause us to ask—

(1) How can such heavy burdens be borne without crushing the bearer?

(2) What caused them? Could they have been avoided wholly or partially, and what are the future possibilities of avoiding a recurrence of the evil?

The question of the ability to bear the burden of such heavy debt charges is bound up with the amount of taxation generally; that is to say, if other charges were insignificant the burden of the outstanding debt could be borne more cheerfully. But other public charges are also exceptionally heavy, and not only so, but industrial production is suffering from the same disease, viz, high costs, and there seems to be increasing evidence that the combined burdens cannot be borne much longer.

We have heard much about the "vicious circle," and in my opinion evils which are looked upon as separate are often really one and the same disease. For example, but for high production costs, rates and taxes would be lower, and but for high rates and taxes costs of production would be lower. Manufacturers and traders rail against the crushing burden of taxation, but the Chancellor of the Exchequer and chairmen of finance committees could with equal reason rail against the cost of commodities and services obtainable from manufacturers and traders, as such costs are largely responsible for the crushing burden of rates and taxes.

Raillery of this kind cuts no ice, and although schemes to remedy the evil have been propounded from time to time no cure has yet been found.

One of the most frequently cited "causes" of the trouble is high labour costs, using those words in their widest connotation as including remuneration—whether wages or salaries—for services rendered, but that is a superficial aspect of the case, as such high labour costs are as much the result of the evil as one of its causes.

What, then, is the real evil? I submit that it is largely, if not entirely, the heavy debt burden, the charges for which must be provided by industry.

This brings me to my second question, viz, What caused the heavy debt burden, could it have been avoided wholly or partially, and what are the future possibilities of avoiding a recurrence of the evil? The reply to that part of the question which seeks the origin of the heavy debt burden seems obvious, and many would unhesitatingly reply—the war? Perhaps so, but in my opinion the burden resulting from the war is merely one phase of a more deeply rooted evil, viz, spending before earning—a habit responsible for most of our troubles.

I shall perhaps be dubbed "old fashioned" for venturing to pillory what I regard as the insane expansion of credit among all classes of the community, both in their public and private capacities, the almost uncontrolled desire to enjoy before earning the fruits of spending, with the result that the demand for capital largely exceeds the supply of that commodity, and in consequence the rate of interest which capital can command for its services is greater than it should be.

It has been said that the payment of interest to capital is wrong, but I have on previous occasions attempted to rebut that remark by pointing out that the wrong is on the part of him who wants to enjoy capital before he has earned it, because if that desire were non-existent capital would be useless to its possessor except as a provision against a "rainy day."

Then, could the burden of debt have been avoided wholly or partially, and what are the future possibilities of avoiding a recurrence of the evil?

I incline to the view that the burden could in the past to some extent have been avoided, and the possibility of its recurrence in the future lessened but for the far too prevalent habit of spending before earning.

Please do not think that I would not under any circumstances favour spending before earning. Wisely indulged in, the creation of credit is often very advantageous, and further, in the event of war, it is a necessary evil under present conditions—unavoidable, but still an evil.

It is my desire, however, to emphasise the fact that it is too readily indulged in at the present day, and without sufficient regard to the consequences. The simple fact that capital invested in gilt-edged securities can command interest at the rate of about 5 per cent. proves conclusively that there is a serious shortage of capital.

What does 5 per cent. really mean? It means that in fourteen years the capital will have doubled itself. The contemplation then of what would happen under these conditions in seven times fourteen years presents, to say the least, a vista of doubtful charm.

But, someone will say, if shortage of capital is the evil, then the more rapidly it multiplies the better. I agree, but I would prefer it to multiply not so much by its own earnings, for rapid multiplication by earnings means a continuous drain on industry; rather should it multiply in consequence of thrift, that is to say, by the addition of savings from earnings. Such multiplication will not constitute a drain on industry, but will result in capital becoming cheaper and still cheaper.

The wrong ideas which exist about capital arise not because of the existence of capital, but from the fact that the demand for it is greater than the supply. Make the supply equal to or greater than the demand, and capital will become worthless as an instrument for earning revenue.

I can imagine someone saying: This is a pretty theory, but what is the practical value of the suggestion? To such I

would answer: principles can be more easily proved by extreme examples. The moral is: think not only twice but many times before borrowing, and avoid borrowing as much as possible unless you are sure that the result will, either directly or indirectly, lessen the costs of production to such an extent that the new costs, plus the capital charges incurred by borrowing, will together be less than the old.

I am not unaware of the difficulties of applying this criterion to what is termed unremunerative capital expenditure, but my suggestion is—get as near as possible to the ideal. By so doing you will necessarily, during periods of dear capital, give preference primarily to expenditure which is directly remunerative, and secondly to expenditure which is indirectly remunerative, relegating to the background expenditure which is wholly unremunerative and therefore luxurious.

THE FUTURE TREND.

My second thesis is the future trend.

One cannot deny that at present there is little indication of improvement in the desired direction, that is to say, increased physical and mental output, coupled with private and public saving instead of spending. It may be that the spending of individuals is in many cases curtailed through lack of means (perhaps in some cases such power to spend could be increased by greater exertion), but public spending is still on a vast scale. Why? To take a simple illustration: An individual will say to himself, "I shall be improved in health if I take a holiday away from my native town," but, notwithstanding the fact that he knows what benefit he would derive, he has to admit reluctantly that he cannot afford the expenditure and so has to forego the benefit.

Similarly a public authority is told that the health of the community would be improved by the provision of an additional recreation ground, and should the finance committee venture to suggest that the locality cannot afford the expenditure the probable reply would be that health must take precedence of financial considerations. This, I submit, is unsound, however hard the converse may appear. In the case of the individual, health had perforce to take second place, and, however regretable, it is only natural that it should do so. Were it otherwise we should all be yachting, mountaineering, or pursuing other healthful lives instead of following what is sometimes regarded, but often erroneously, as a humdrum existence.

My suggestion, therefore, is that finance committees should, in suitable cases, rebut with all the force they can command the specious arguments brought forward for fresh expenditure.

When reflecting on the advantages of thrift the thought has often occurred to me that one can scarcely advocate thrift without contemplating the possibility at some future date of taxation for the provision of capital, especially as post-war experience proves that the taxable capacity of the subject had not been reached before the war.

Believing, as I do, that an abundance of capital and capitalists is a good thing for the nation, and recognising the disinclination on the part of many to save, and therefore the certainty that under existing conditions we shall always have capitalistic and non-capitalistic classes, I have wondered whether it would not be advisable to tax for the provision of public capital—capital that would belong to the State or to the community. Something similar to the entertainments tax or a luxury tax would seem to be ideal for the purpose, so that the more one spent on amusements or unessentials the more would be added to the reservoir of publicly owned capital. Taxes like the death duties, which are really an exhaustion of capital, should not, in my judgment, be applied to revenue purposes but to redemption of debt or the provision of public capital.

Please do not think that I am suggesting the complete elimination of private capital, but I incline to the view that the existence of an accumulation of public capital would be of advantage to the nation. It would constitute a governor to regulate, to some extent, the rate of interest that capital could command for its services, and further it would ensure that everyone became, in a sense, a capitalist, and in consequence a participator in the profits which capital earns.

This leads me to reflect further upon the effect of compound interest, and I cannot do better than quote the excellent illustration given by Sir William Schooling in his lectures on National Savings Certificates. He points out that, even at 4 per cent. interest, £10 a year saved for eighteen years will provide £10 a year in perpetuity, and conversely that the borrowing of £10 a year for eighteen years will mulct the borrower and his descendants in the payment of £10 a year in perpetuity for interest.

This illustrates admirably the advantage of saving and the disadvantage of borrowing, and, incidentally, tends to make one the more inclined to consider the subject of taxation for the provision of public capital, more especially as it is difficult for the masses to realise and secure for themselves individually the full benefit of continual saving.

1 per cent. (say, 2½d. in the £) on the annual wage bill in Great Britain (£1,300,000,000 + £300,000,000), to say nothing of other income, would yield a minimum of £10,000,000 yearly, and at 4 per cent. would in eighteen years amount to £256,000,000, and, subject to what has been already said as to capital becoming less valuable for revenue earning purposes as the supply more nearly reaches the demand, would itself yield £10,000,000 yearly without drawing further on the taxpayer.

In endeavouring to look at future possibilities, I have so far confined myself to general considerations, but before dealing with the last category of my subject, viz, the officers of local authorities entrusted with the management of the finances, I desire to speak of the possibility of radical changes in the system of local government, my excuse for so doing being the financial upheaval which would result from any such drastic change.

Some of the existing areas are said to be unsuitable for the purposes of local government, and the administrative county—judging from the hostility displayed towards it by the non-county boroughs and urban districts in 1889 and again in 1897, when proposals were made by the central departments for the transfer to county councils of a number of functions exercised by those departments—is an area that is out of favour with a very large section of the public.

The fact that modern practice has tended to increase the duties of county councils does not in itself prove that the administrative county is a desirable unit, but merely indicates that it is, perhaps, the lesser of two evils, the other being small local authorities as at present constituted.

It is not without significance that not a single application has been made by a county council or a county borough council for a Provisional Order under the Local Government (Transfer of Powers) Act, 1903, to transfer certain of the powers, duties, &c., of Government Departments to that council. The omission is not so striking in the case of county boroughs, because the county borough council is practically the only authority exercising the functions of local government in its area, but this is not so in the case of county councils.

Can it be that the county council fears the opposition of the other authorities within its area, or does it consider—

(1) That the principle of devolution is undesirable? or

(2) That the administrative county is an unsuitable area to exercise any of the functions now performed by the central departments?

It has been said that the county is too large for most purposes of rural government and too small to be able to bring town and country together effectively; that the rural district is too small for the major and too large for the minor functions.

Would a regional re-organisation afford any improvement? The inter-connection between local government districts as at present constituted, in respect of many services, especially transport, housing, town planning, education, water supply, electricity and gas, has given rise to proposals for the formation of new authorities having jurisdiction over a much larger area than the county, and there is a tendency to demand specific authorities for particular purposes. In this connection it is well to recall that one of the great reforms of the last century was the consolidation of the many specific authorities which had been created.*

If, however, the tendency towards the formation of specific authorities for particular purposes is to be countered, it would

* I. G. Gibbon, C.B.E., Minutes of Evidence, Royal Commission on Local Government, 1923. I desire to acknowledge my indebtedness to Mr. Gibbon for this and other portions of his evidence of which I have made use. Specific acknowledgment of every extract is impossible as in some cases I have varied the phraseology to suit my presentment of the case.—R.D.L.

seem that some sort of regional re-organisation of local government areas is essential, and a proposal which is finding favour is to carve the country into a number of large areas, each having an elected council which would be responsible for a number of services covering a large area, and would supervise and co-ordinate the main services of local government carried out by the smaller authorities. These regional or provincial councils would take over some of the functions now exercised by the central departments, and would supersede the county councils.

Logically there is much to be said in favour of such a plan, but however excellent in theory, the country must be satisfied before embarking upon it that there are genuinely grave defects in the existing organisation which cannot otherwise be remedied effectively. In my opinion, the gravest of those defects is the threatened expansion of the system of specific authorities, an expansion which, unless checked, will tend to diminish seriously the responsibilities of the popularly elected bodies and reduce correspondingly that public spirited activity which is so essential to well ordered democratic local government.

The apparent excellence of the case made out for the creation of specific authorities for particular purposes, as evidenced by the rapid growth of that system, makes it essential that the local authorities, as at present constituted, should decide which of the following alternatives will ultimately prove the lesser evil—the expansion of the system of specific authorities or the reconstruction of local government on regional lines. Whilst admitting that many objections can be raised against the multiplication of local authorities, or even against changes which might not involve multiplication, I incline to the view that the regional authorities would prove to be the lesser evil.

THE OFFICERS OF LOCAL AUTHORITIES ENTRUSTED WITH THE MANAGEMENT OF THE FINANCES.

I now come to my third and last thesis, viz, the officers entrusted with the management of local public finances.

From what I have already said, it will be apparent that the problems confronting these officers are weighty and their responsibility considerable, and that a high standard of efficiency is essential if the welfare of the local authorities which they serve is to be protected.

No local authority would dream of staffing, say, its electricity undertaking with unqualified men, merely because it has a qualified chief engineer. In such an undertaking it is usually, if not universally, deemed necessary to have a deputy with qualifications, though not necessarily with experience, on a par with those of the chief engineer, and in addition one or more station superintendents and several shift engineers, &c., all qualified, at least technically, to perform their respective duties. But for the finance department it has in the past too often been assumed that provided the head of the department is technically qualified (and sometimes, unfortunately, even if he is *not* so qualified) it does not matter about the rest of the staff.

Why should this be so? Is it not because the mistakes of an unqualified employee who is attempting to perform the tasks of an engineer would be quickly and clearly manifest to all, whereas the mistakes or misjudgments of an incompetent assistant in the finance department may not become effective or apparent for many months or even years? In the one case there follows a disruption, unmistakable and possibly violent, but with the worst known immediately; in the other an unobtrusive error or misjudgment, perhaps insidious, yet involving in the aggregate a far greater loss to the local authority than that sustained by the electrical breakdown.

In addition to technical qualifications, however, it is of increasing importance that the financial officer should be equipped with a sound general education, and more especially that he should be trained in the art of clear thinking.

Instances have not been wanting of a local authority making representations to a Government Department and to its Parliamentary representative as to a supposed grievance, to which that department has replied in its inimitable way, carefully avoiding "chastisement" and seeming almost to take upon itself the blame, while revealing incidentally, and as though by way of an afterthought, that the grievance is non-existent, and that the authority does in fact receive the financial aid for which it is asking.

You might be forgiven for thinking that I have allowed my imagination to run riot, but I assure you that it is not so, although I admit having endeavoured to colour the recital of the incident so as to prevent identification of the offending authority. But, just as the piquancy of a repast is often found in the culminating savoury, so in this case the sequel surpasses in flavour the incident itself, for the authority concerned passed a resolution expressive of their thanks to those who had brought the matter forward and to their Parliamentary representative for the great success which had attended his efforts.

I recall also an instance of the chairman and secretary of a certain organisation summarising inaccurately for the benefit of its supporters the conclusions of a public committee on which they had served as members, and as the summary was easier to read and understand than the committee's report, the inaccuracy—which, incidentally, involved the expenditure of vast sums of money—influenced the policy of probably 99 per cent. of its supporters, the remaining 1 per cent. being utterly powerless to stem the tide.

Sufficient has been said to indicate the need for clear thinking, but that attribute must not be confused with the ready thought that springs from knowledge of facts, and which, when given utterance to, appears to indicate, particularly to the unthoughtful, ability on the part of the speaker to think clearly. It is quite possible that he may be the fortunate possessor of that attribute also, then he is twice blessed, but mere readiness in reciting facts is by no means a sure indication of clear thinking.

A clear thinker may or may not be able to remember facts, and he may or may not have the time to gather them for himself, while the encyclopædic individual may or may not be a clear thinker.

What steps are being taken to secure this threefold qualification, viz, a broad general education, adequate technical knowledge, and the capacity to think clearly?

It is universally admitted that the local government of this country is second to none in efficiency, yet no organised system exists for imparting the necessary knowledge to those who are, or are destined to become, public officials. This speaks volumes for the inborn initiative and resource of those who have, either as publicly elected representatives or as officials, entered the public service, but the number and extent of the new problems presenting themselves for solution make it imperative, if we are to retain the enviable reputation enjoyed in the past, that the old system or want of system shall give place to some better arrangement.

It is therefore gratifying to notice that in the sphere of local government finance, and probably also in other spheres of local government, although with those I am not directly concerned, the authorities are insisting to an ever increasing extent on entrants to the service being equipped with a sound general education and that there are increasing opportunities, such as those afforded by this Institute, to acquire the necessary technical knowledge, and, to some extent, the habit of clear thinking.

The evolution of a systematic training of the financial officers of local authorities from the more or less haphazard methods of the past has been somewhat slow but sure, and it is now proceeding at a pace which threatens before long to make exceeding small the meshes of the sieve through which the finer particles will pass.

A century ago selection for the local government service by competitive examination, embracing educational and technical subjects, was unheard of. To-day, despite the scholastic qualifications demanded of entrants to the service, the higher posts are nearly always filled from the ranks of those who entered that service at a relatively early age, a practice which will no doubt long prevail, and which, as a stage in the evolutionary process, has much to commend it. But who would be bold enough to say that before the lapse of another century the higher posts will not be filled by men who have passed through the highest seats of learning—the Universities—and who also have entered the service at a comparatively early age and in a comparatively junior capacity, though not as youths at the bottom of the ladder. Such material should be ideal from which to recruit those who in the future are destined to guide and guard the finances of local government, and I am rash enough to prophecy that long before another century has passed this or some similar method of recruitment for the higher posts will be the rule rather than the exception.

The growing complexities of life and the expansion of education must inevitably tend in that direction.

Meanwhile this Institute, with its examinations embracing general educational subjects up to the standard of the usual school certificate examinations, technical subjects such as Accountancy, Auditing, Statistics, National and Local Authority Finance and General Commercial Knowledge, including questions on Banking, Economics, and Law bearing on local government, is performing a service for local government finance unsurpassed, even if equalled, by any organisation having for its object the training of recruits for other spheres of the municipal service. That its beneficent influence is widespread is evidenced by its offshoots, the students' societies, with a membership of about 2,400, and its main branches stretching throughout the country, whilst the strength and virility of the parent trunk may be gauged by this assembly.

Having blown the Presidential trumpet, it is only fitting that I should say that the Institute is not alone in catering for the educational needs of recruits. Several of the larger local authorities, to wit, the London County Council, Birmingham and Edinburgh, to mention only three, have their own recruiting schemes.

In the case of the London County Council, general grade clerks of both sexes are recruited from candidates between seventeen and nineteen years of age who have passed one or other of the usual School Certificate Examinations or the Matriculation Examination of the University of London. The standard of the Council's competitive examination is intermediate between that of the London Matriculation and that of the Intermediate Degree Examinations (Pass). At least 80 per cent. of the appointments to the second class of the major establishment of the Council's administrative and clerical service are made as the result of limited competitive examinations by the promotion of assistants already in the Council's service who are or have been in the general grade, the remainder being recruited from "external" candidates by means of a qualifying examination in compulsory subjects of general education up to the intermediate arts (London University) standard, and a competitive examination in optional subjects (of which a fixed number must be taken) of an advanced academic character. For "internal" candidates the competitive examination embraces any three of the following subjects at the candidates' option, viz, Municipal Organisation and Office Management, Local Government Law and Practice, Municipal Accountancy, Statistics, Parliamentary Practice and General Procedure, Estate Management, Tramways Management. The normal age limits for candidates for the examinations for the second class are "over 21 and under 23 years of age," or 24 years for candidates possessing a first class honours degree or its equivalent. The general principle governing promotion from the second to the first class and to higher grades is merit and not seniority.

In Edinburgh entrants to the finance department are as a general rule recruited from the secondary schools at the age of about seventeen years, and commence as apprentice clerical assistants. All entrants are required to possess the leaving certificate of the Scottish Education Department, which is equal to the Preliminary examination required for entry to the Scottish Universities. The apprenticeship term extends to four years, and during this period the boys are required to undertake a definite course of study, which may be for the examinations of this Institute, for those of the Society of Incorporated Accountants and Auditors, for the Bachelor of Commerce Degree at Edinburgh University, or, as a minimum, a course of evening classes at an approved local college. Endeavour is made to co-ordinate the theoretical training given at the University with the practical training received in the office, and the following is a typical example of a curriculum drawn up with this end in view:—

First year: A Modern Language.

Second year: Mercantile Law; Industrial Law.

Third year: Political Economy; Banking; Economic History; Economic Geography.

Fourth year: Accounting and Business Methods; Organisation of Industry and Commerce.

In the case of new entrants to the service (1922 onwards) promotion to the position of First Class (Grade I) Clerical Assistant is conditional upon candidates having qualified either as a professional accountant or as a graduate in commerce. Financial assistance is granted to apprentices attending approved classes, and where necessary time off is allowed for attendance at University courses, held partly during office hours.

In Birmingham selections are made from youths of about seventeen years of age who have passed the matriculation examination or are holders of certificates of like standard, and candidates are required to take a competitive examination, partly oral, in general knowledge and as a test of mental capacity. Every reasonable facility is given to encourage study for the examinations of the Institute.

Furthermore, valuable help is afforded by the courses in Local Government Finance provided by the Education Committees of some of our larger local authorities. We may therefore regard the atmosphere as satisfactory, even though the barometer does not point exactly to set fair and notwithstanding the fact that the further outlook may still with truth be described as unsettled.

Having systematically recruited and trained the local financial officer, or at least assured ourselves that satisfactory steps are being taken in that direction, our next consideration is what shall be his attitude towards the financial problems presenting themselves to his local authority. Is he merely to keep the accounts and prepare more or less stereotyped statistics for submission to the finance committee and the council, or is he to make not only his figures but his knowledge serviceable to his employers when framing their policy?

We are often told that policy is a matter for the elected representatives only, and does not concern the official. But what does that statement mean? Have we ever tried to analyse it? Have we asked ourselves where a strict adherence to that principle would lead? Would it not preclude the officer making suggestions or offering an opinion for the consideration of the elected representatives unless asked to express it?

Is it proper for an official never to offer an opinion unless asked to do so? I think not, although such an attitude would absolve him from a lot of responsibility. In my opinion, the proper attitude of an official in committee is to remain silent during a discussion so long as the pertinent points are brought out by the various speakers and so long as the members generally are in no danger of being misled by the vehemence or—dare I say it?—the bias of any member, but should it appear that a decision is likely to be reached on misunderstood or false premises, then it becomes the duty of the official most closely concerned with the matter under discussion to seek permission to clear up the misunderstanding before the vote is taken. Whether the request be granted or declined, he will have done his duty in making it. By remaining silent when he knows that certain pertinent points which would probably influence the decision have been accidentally or designedly withheld, he would be failing to perform his duty.

Could such a request be regarded as interference in policy? Certainly not, provided the officer took care to present all sides of the case.

But what is to happen if a local authority seems bent on adopting a policy which the financial officer feels would be seriously detrimental to the finances of the town? I suggest that it is his duty to seek permission to express his views. Would that be interference in policy? It seems to me that it would, but surely no one would suggest that in such circumstances the officer should refrain from endeavouring to make known his views to the council.

What, then, constitutes an interference in policy such as should be avoided by officials? I have heard it stated that although an official may be justified in urging his views on his employers—of course, with their consent—he should make no public declaration on questions of policy. But is even that a safe line to draw? I think not, for surely those who have made a special study of local government should not be precluded at suitable times and on appropriate occasions from making known their views, and so helping to create public opinion. Everything depends on the suitability of the occasion, and it is the *occasion* that should determine whether or not it would be fitting for an official to speak publicly on policy. If the subject is more or less in embryo none can

reasonably object to the official endeavouring to influence public opinion in what he considers to be the right direction; but if, on the other hand, there is in his district a sharp division of opinion on some burning question in which the local authority is interested, he would be well advised to refrain from public utterance upon it, or from making known his views to anyone other than his employers. Again, if he has tendered certain advice and the local authority has not seen fit to be guided by it, he should most certainly refrain from any attempt to make it known that he disagrees with the authority's action. You will, I know, forgive me for dealing with this question of policy at such length, but I felt that the air wanted clearing, and if I have failed to clear it satisfactorily, perhaps something useful may emerge from the discussion, which, I hope, will take place on the sentiments to which I have given expression.

"THE SOCIETY'S OFFICIAL ORGAN."

The following letter was addressed to "The Official Organ Society, 50, Gresham Street, London, E.C.2":—

"Dear Sirs,—I should like very much to bring myself respectfully under the good training of Music. Before saying any word, I beg to have my name enrolled as a mumber of your Organ Society. And also to receive mumbership Certificate as possible. I am waiting for further intructions for the cost of the mumbership certificate as well as the most important books for the steadying.

"I am seriously expecting your favourable reply in returning of this very boat.

"I remain yours ever to come

"Gold Coast." "Mr. A. B.

EXCESS PROFITS DUTY.

Increased Statutory Percentages.

A further decision by the Board of Referees on sect. 42 (1) of the Finance (No. 2) Act, 1915, has just been published, dealing with the industry of Corkwood Growers in Portugal. It is not thought that the decision is now of sufficient importance to justify its publication in detail, but full particulars will be found in the *London Gazette* of June 5th, 1925.

Review.

Report of the Commissioners of Inland Revenue, 1923/24. *London: H.M. Stationery Office, Adastral House, Kingsway, W.C.2.* (*Price 2s. 6d. net.*)

This Report covers the financial year ended March 31st, 1924, and gives elaborate statistics with regard to the estates of deceased persons, showing the number of estates liable to duty, with a classification of the various sizes and the total and net values in each class; likewise, a sub-division under Personalty and Realty, with further tables giving more minute details. There is also a classification of all property of deceaseds' estates in Great Britain under Government Securities, Other Securities, Land, House Property, &c. Under the head of Income Tax is given a summary of legislation and judicial decisions, with the effect of the decision in each case, but it is pointed out that appeals decided after March 31st, 1924, are not included, which detracts somewhat from the value of the information supplied. A similar summary is given in respect of decisions relating to Super Tax. Another table gives the gross and net income subject to Income Tax, with particulars of the various deductions allowed for repairs, depreciation, &c. The concluding part deals with Excess Profits Duty, showing the amount of duty assessed and the amount of repayments made, &c. Altogether the Report contains a great deal of interesting information.

Society of Incorporated Accountants and Auditors.

RESULTS OF EXAMINATIONS, MAY, 1925.

Passed in Final.

Order of Merit.

BLADON, SYDNEY HAROLD, H.M. Inspector of Taxes (7th District), Westminster Buildings, Theatre Square, Nottingham. (*First Certificate of Merit and Prize.*)

DAVIS, HERBERT EDWARD, M.C., Captain, Corps of Military Accountants, Field Stores, Aldershot. (*Second Certificate of Merit and Prize.*)

ADAMS, WILLIAM, Assistant Borough Treasurer, West Bars, Chesterfield. (*Third Certificate of Merit.*)

WALLIS, STANLEY IVAN, Clerk to Stanley Blythen, 12, Low Pavement, Nottingham. (*Fourth Certificate of Merit.*)

CRICK, DAVID NORMAN, Clerk to F. E. Anderson (F. E. Anderson, Denning & Co.), 20, Bedford Row, London, W.C.1. (*Fifth Certificate of Merit.*)

LAYTON, HAROLD LESLIE, Clerk to Turquand, Youngs & Co., 19, Coleman Street, London, E.C.2. (*Sixth Certificate of Merit.*)

POPE, LEONARD RUSKIN SEXTUS, Clerk to Miall, Wilkins, Avery & Co., 52, Coleman Street, London, E.C.2. (*Seventh Certificate of Merit.*)

WOODS, JOSEPH JOHN, Accountant's Department, Metropolitan Water Board, 173, Rosebery Avenue, London, E.C.1. (*Eighth Certificate of Merit.*)

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PITHIE, WILLIAM ALEXANDER BLAIR, Clerk to Butchart, Carey, Dalman & Co., 49, Queen Victoria Street, London, E.C.4.

PORCH, WILLIAM LEONARD, Clerk to Keens, Shay, Keens & Co., Bilbao House, New Broad Street, London, E.C.2.

POSTLE, NORMAN, Clerk to C. P. Barrowcliff (C. Percy Barrowcliff & Co.), 55/57, Albert Road, Middlesbrough.

RAE, CECIL BERTRAM, Clerk to R. S. Dawson & Co., 11, Cheapside, Bradford.

RICHARDS, EDGAR GEORGE, County Accountant's Department, West Sussex County Council, Chichester.

ROSE, HARRY, Clerk to B. C. Howard (Howard, Rose & Co.), Bassishaw House, 70A, Basinghall Street, London, E.C.2.

ROSE, WILLIAM GEORGE, Clerk to Crane, Houghton & Crane, Cathedral House, 8, Paternoster Row, London, E.C.4.

ROWLAND, FRED, Borough Treasurer's Department, Town Hall, Birkenhead.

ROY, APURBA CHANDRA, B.A., Clerk to S. R. Batliboi & Co., 9, Grant's Lane, Calcutta.

RUMBLE, CECIL FREDERICK, Clerk to Clarkson & Bennett, 16 & 17, Devonshire Square, Bishopsgate, London, E.C.2.

SHAW, WILLIAM ARTHUR, Clerk to F. Holliday (Fredk. & C. S. Holliday), Pearl Chambers, East Parade, Leeds.

SHIELDS, ALBERT ERNEST, Clerk to Nicholson, Beecroft & Co., Panyer House, 1/4, Paternoster Row, London, E.C.4.

SIMPSON, BERNARD ALFRED, City Treasurer's Department, Town Hall, Sheffield.

SIMPSON, CLIFFORD, Clerk to E. Clough, Cooke Street, Keighley.

SMITH, DOUGLAS WILFRED, Clerk to Impey, Cudworth, Lakin-Smith & Goode, Broad Street House, London, E.C.2.

SMITH, FRANCIS WILLIAM, Clerk to Herbert Pepper & Rudland, 14, Temple Street, Birmingham.

SPENCE, HAROLD, Clerk to John Gordon & Co., 7, Bond Place, Leeds.

SPOFFORTH, STANLEY ALBINUS, Clerk to Armitage & Norton, Atlas Chambers, King Street, Leeds.

STEVENS, WILLIAM HENRY, Clerk to George Cobley, Kay & Co., 27, Southampton Street, Strand, London, W.C.2.

STEWART, ROBERT, Clerk to Joseph A. Harris, 23, Regent Street, Barnsley.

STOTT, JACK, Treasurer's Department, Stretford Urban District Council, Council Offices, Old Trafford, nr. Manchester.

STUART, FRANK, Clerk to Percy F. Ward, 27, Mosley Street, Newcastle-on-Tyne.

TAYLOR, BERNARD, Clerk to E. Broadbent, Fish & Co., 1/4, Clarence Arcade Chambers, Stamford Street, Ashton-under-Lyne.

THOMPSON, ALBERT LEOPOLD, Clerk to W. C. Chaffey, Borough Treasurer, Town Hall, Greenwich, London, S.E.10.

THRELFALL, HARRY, Clerk to W. H. Shaw & Sons, Market Place, Dewsbury.

TURNER, THOMAS DANIEL, Clerk to Harper Smiths, London and Provincial Bank Chambers, Norwich.

WADDINGTON, ALFRED, Clerk to Charles D. Buckle, 25, Cheapside Chambers, Bradford.

WALKER, HARRY, Clerk to Armitage & Norton, Atlas Chambers, King Street, Leeds.

WARRINGTON, WILLIAM ERNEST (Baker & Co.), 44, Abington Street, Northampton, Practising Accountant.

WHITE, CHARLES JOHN, Clerk to A. Boaler (Boaler & Flint), Bromley House, Angel Row, Nottingham.

WHITEHEAD, CHARLES REID, Clerk to F. J. Harper (Harper, Groves & Co.), Tower Chambers, 30A, Pride Hill, Shrewsbury.

WILKS, HENRY, Accountant's Department, Glamorgan County Council, County Hall, Cardiff.

WILLIAMS, FRED, Deputy County Treasurer, West Sussex County Council, Chichester.

WILLIAMSON, CHARLES MORDAUNT, Clerk to Duart-Smith, Baker & Price, Albion House, King Street, Gloucester.

WOODLEY, ERNEST, Clerk to R. Menzies Blaikie, 27, High Street, High Wycombe.

WOODWARD, ALBERT RATCLIFFE, Clerk to William Davison, 36, West Sunniside, Sunderland.

WRIGHT, GERALD ERNEST, Clerk to George Little, 400/403, Moorgate Station Chambers, Moorfields, London, E.C.2.

WRIGLESWORTH, DOUGALD MCLAURIN, Bank Chambers, North Parade, Bradford, Practising Accountant.

SUMMARY:—

8 *Candidates awarded Honours.*
141 *Candidates passed.*
112 *Candidates failed.*

261 Total.

Passed in Intermediate.

Order of Merit.

SAXTON, CLIFFORD CLIVE, Glasgow House, Park Grove, Barnsley, Practising Accountant. (*First Place Certificate and Prize.*)

HOWES, PHILIP DENNIS, Clerk to J. R. Johnson, City Treasurer, Council House, Birmingham. (*Second Place Certificate and Prize.*)

LEWIS, VERNON HOWARD, Borough Treasurer and Controller's Department, Municipal Chambers, Corn Street, Newport, Mon. (*Third Place Certificate.*)

CARLISLE, CHARLES FREDERICK, Clerk to D. W. H. Phipp, 15, Park Row, Nottingham. (*Fourth Place Certificate.*)

BINNS, WILFRED LESLIE, Clerk to Hubert E. Booty, 9 & 10, Pancras Lane, London, E.C.4. (*Fifth Place Certificate.*)

NUNNERLEY, STANLEY HERBERT, Clerk to Alfred Wright (Alfred Wright & Co.), 6, Duke Street, St. James's, London, S.W.1. (*Sixth Place Certificate.*)

Alphabetical Order.

ABSON, WILLIAM HERBERT, Clerk to W. A. Turner (W. Arthur Turner & Co.), 21, Bridge Street, Bradford.

AINSWORTH, JOHN, Borough Treasurer's Department, Town Hall, Blackburn.

AITKEN, JAMES, Clerk to Callingham, Brown & Co., 34, Nicholas Lane, Lombard Street, London, E.C.4.

ALDER, GEORGE PARKER, Clerk to B. Sugden, St. George's Chambers, Athol Street, Douglas, Isle of Man.

ANDERSON, WALTER, Clerk to Thomas Eaves (Thomas Eaves & Co.), Venice Chambers, 61, Lord Street, Liverpool.

ANDREWS, CLIFFORD JAMES BERTIE, Clerk to A. C. Ling, Old Library House, Dean Park Road, Bournemouth.

ANTHONY, ALFRED EDMUND, Clerk to W. Elles-Hill & Co., 17, Throgmorton Avenue, London, E.C.2.

BAKER, BERNARD STUART, H.M. Stationery Office, Princes Street, Westminster, London, S.W.1.

BALL, ANDERSON MORRELL, Clerk to Callingham, Brown & Co., 34, Nicholas Lane, Lombard Street, London, E.C.4.

BARKER, EDGAR JOHN HARRY, Clerk to R. G. Acock (Martin & Acock), Westminster Bank Chambers, 69, London Street, Norwich.

BARNETT, EDWARD NORMAN, Clerk to Meredith, Turner & Co., Prudential Buildings, Corporation Street, Birmingham.

BATESON, MARGARET CROSSLEY, Clerk to W. Howarth (Whitehead & Howarth), 21, The Square, St. Anne's-on-Sea.

BAYLEY, CHRISTOPHER THOMAS, Clerk to Thorne, Lancaster, Farey & Reacher, 46, Basinghall Street, London, E.C.2.

BELL, ISAAC EDWARD, Clerk to Harper & Petticrew, 10, Arthur Street, Belfast.

BINLESS, WILLIAM, Clerk to R. O. Griffith, 44, Cannon Street, Preston.

BLUNT, ALBERT VICTOR, Accountant's Department, Metropolitan Water Board, 173, Rosebery Avenue, London, E.C.1.

BROOKER, ALBERT EDWARD, Clerk to Blake Allnatt & Craddock, 2, Forbury, Reading.

BROWN, FRED, Clerk to Peat, Marwick, Mitchell & Co., 125, Ramsden Square, Barrow-in-Furness.

BROWN, LESLIE ELLIOTT, Clerk to Cedric H. Bennett (Myring & Bennett), 741-743A, Salisbury House, London Wall, London, E.C.2.

BROWN, WILLIAM, Clerk to Hugh Boyd (Atkinson & Boyd), 5, Bedford Street, Belfast.

CALVERT, STANLEY, Assistant Borough Treasurer, Borough Treasurer's Office, Wallsend-on-Tyne.

CAPPER, CLAUDE, Public Trustee Office, Kingsway, London, W.C.2.

CARR, EDWARD, Clerk to J. H. Pontefract, 3, York Street, Manchester.

CARTER, FREDERICK EDWARD HENRY, Clerk to Alfred T. Plant, 249, Abbey House, 2/8, Victoria Street, Westminster, London, S.W.1.

CHAPMAN, WALTER HUGH GRANVILLE, H.M. Inspector of Taxes (1st District), Crown Chambers, Cambrian Road, Newport, Mon.

CHERRY, ROGER HOPE, Clerk to Ernest R. Bradley, 584, Christchurch Road, Boscombe.

COATES, FREDERICK GEORGE, Accountant's Department, Metropolitan Water Board, 173, Rosebery Avenue, London, E.C.1.

COCKER, ERIC, Clerk to Farrant & Stott, 6, Booth Street, Mosley Street, Manchester.

COLEMAN, ROY HERBERT, Clerk to Westcott, Maskall & Co., 29 & 30, Broad Street Avenue, London, E.C.2.

COOMBS, REGINALD WILLIAM, Ministry of Health Audit Staff, Bath.

COOPER, JOHN, Clerk to F. W. Coope (T. Greenhalgh & Co.), Empress Chambers, 97, Church Street, Blackpool.

CORLETT, HUBERT ALAN, Clerk to H. Oddy (Oddy & Fox), 37, Manor Row, Bradford.

CREW, FRANCIS LESLIE, Clerk to A. E. Quaife (Westacott, Quaife & Co.), 7, Calverley Parade, Tunbridge Wells.

CROOK, SAMUEL KENNETH, Clerk to A. B. Dawson, Borough Treasurer, Town Hall, Wigan.

CURRY, JOHN HUNT, H.M. Inspector of Taxes (District 5), Room 43, Pearl Buildings, Commercial Road, Portsmouth.

DAVIES, ERIC, City Treasurer's Department, The Council House, Birmingham.

DAVIES, IVOR, Clerk to S. E. Clutterbuck (Clarke, Dovey & Co.), 31, Queen Street, Cardiff.

DEAN, JOHN WILFRED, Clerk to Proctor & Proctor, 3, Grimshaw Street, Burnley.

EARP, LESLIE GROVES, Clerk to G. Horton (Tyler & Wheatcroft), Newton Chambers, 43, Cannon Street, Birmingham.

EDWARDS, HAYDN, Clerk to Percy H. Walker (Percy H. Walker & Co.), 4, Park Place, Cardiff.

FARR, EDGAR SIDNEY, Clerk to Reginald L. Tayler (Reginald L. Tayler & Co.), Coventry House, South Place, Moorgate, London, E.C.2.

FLEMING, HENRY MACPHERSON, Clerk to Peat, Marwick, Mitchell & Co., 11, Ironmonger Lane, London, E.C.2.

FLETCHER, HORACE REGINALD, Clerk to R. Carey Watchorn, Alliance Chambers, Horsefair Street, Leicester.

FOLEY, FRANCIS GEORGE, Clerk to W. J. Ching, Princess Chambers, 8, Sussex Terrace, Princess Square, Plymouth.

FOX, ERNEST ALBERT, Clerk to J. Hulbert Grove (J. Hulbert Grove & Co.), 389, Strand, London, W.C.2.

GALLOWAY, FREDERICK EDWIN, Clerk to Percy R. Hayes, 57A, Hope Street, Wrexham.

GARTHWAITE, GEORGE CHRISTIE HUTCHISON, B.Com., City Chamberlain's Department, City Chambers, Edinburgh.

GATWARD, OWEN BRADLY, Clerk to W. H. Payne (W. H. Payne & Co.), 8/9, Martin Lane, Cannon Street, London, E.C.4.

GEARY, THOMAS STEPHEN, Clerk to Russell & Co., 6, Rue de l'Ancienne Bourse, Alexandria, Egypt.

GREEN, WILLIAM HENRY, Finance Department, Ministry of Labour, Queen Anne's Chambers, London, S.W.1.

GREENSTREET, CYRIL FRANK, Clerk to D. Roth & E. G. Wolfe, 199, Piccadilly, London, W.1.

GREENWOOD, NORMAN, Treasurer's Department, Kettering Urban District Council, Council Offices, Kettering.

GRIFFITHS, THOMAS VERNON JOHN, Clerk to G. Brinley Bowen (Brinley Bowen & Mills), 22, Wind Street, Swansea.

HAGGO, WILFRED YOUNGER, Town Chamberlain's Department, Kilmarnock.

HAKE, JOHN SYDNEY, Clerk to Charles G. Clark, 64, Basinghall Street, London, E.C.2.

HALLAM, ALBERT, Clerk to F. W. Fox, 14, King Street, Leicester.

INTERMEDIATE—*continued*.

HAMM, NORMAN WILLIAM EDWARD, Borough Treasurer's Department, Town Hall, West Bromwich.

HANKINSON, ARTHUR, City Treasurer's Department, Town Hall, Manchester.

HARDAKER, RALPH, City Treasurer's Department, Town Hall, Bradford.

HARRISON, ALEXANDER JOHN, Clerk to Frederick Griffith, Barclays Bank Chambers, 37A, Stricklandgate, Kendal.

HEARD, ROLAND ARTHUR BURNARD, Clerk to R. C. L. Thomas (Walter Hunter, Bartlett & Co.), 24, Bridge Street, Newport, Mon.

HEMSLEY, CYRIL MONTAGUE, Clerk to Wood, Drew & Co., 139, Cannon Street, London, E.C.4.

HONEYBONE, JOSEPH WALTER, Clerk to Ralph H. Bridgwater, 3, New Street, Birmingham.

HORSNELL, ARTHUR DOUGLAS, Clerk to William Clayton, 72, Albion Street, Leeds.

HOWARTH, WILLIAM, Clerk to Fred. A. Fitton, Post Office Chambers, 26, Brown Street, Manchester.

HUBBARD, BERTRAM PEACE, Clerk to Fuller, Wise, Fisher & Co., Bassishaw House, Basinghall Street, London, E.C.2.

HUGGINS, FREDERICK WILLIAM, Clerk to Geo. Ballard, 16, Eastcheap, London, E.C.3.

HUTTON, KENNETH BARKER, Clerk to Maurice Thompson, 34, Avenue Chambers, Bloomsbury Square, London, W.C.1.

JAMES, HORACE, Clerk to Peat, Marwick, Mitchell & Co., Royal Exchange, Middlesbrough.

JANES, JOHN HEDLEY, Clerk to F. Whitaker, Palatine Bank Buildings, 10, Norfolk Street, Manchester.

JOHNSON, CYRIL, Clerk to F. Harrop (Frank Harrop, Hindley & Co.), Palatine Bank Buildings, 10, Norfolk Street, Manchester.

JONES, FREDERICK, Clerk to Edwin Collier & Co,, Parr's Bank Buildings, 3, York Street, Manchester.

KANER, HYMAN, Finance Department, Ministry of Labour, Ruskin Avenue, Kew.

KELLY, EDWARD MICHAEL, Clerk to Jones, Crewdson & Youatt, 7, Norfolk Street, Manchester.

KEMPSON, ERNEST ARTHUR, H.M. Inspector of Taxes, Board of Inland Revenue, Somerset House, London, W.C.2.

KING, CYRIL ISRAEL, H.M. Inspector of Taxes, 8, Wind Street, Neath, Glam.

LAZENBY, HAROLD, Clerk to Charles H. Wilson, Wilson's Chambers, 7, Greek Street, Leeds.

LITTLE, ROBERT LESLIE, Clerk to John Potter (John Potter & Harrison), 22, Birley Street, Blackpool.

LOWE, ARTHUR EDWARDSON, Clerk to Alfred Griffin (A. Griffin & Son), Bank Chambers, 8, Church Street, St. Helens.

MCMULLAN, HERBERT (Herbert McMullan & Co.), 5, East Wall, Londonderry, Practising Accountant.

MASON, ALFRED WILLIAM, Downham, Billericay, Essex, Practising Accountant.

MAXWELL, ERIC, Town Chamberlain's Department, Kirkcaldy.

MELLANBY, JOSEPH, Clerk to Harold Brown, Lloyds Bank Chambers, Durham.

MILL, WILLIAM YOUNG, Clerk to W. B. Sievwright (Moir, Wood & Co.), 3, Kinnoull Street, Perth.

MOORE, JOSEPH, Clerk to Davies & Crane, Hoghton Chambers, Hoghton Street, Southport.

NATTRASS, THOMAS METCALFE, Clerk to T. E. Dent (C. Percy Barrowcliff & Co.), 55/57, Albert Road, Middlesbrough.

NEAL, GEOFFREY GEORGE, Clerk to A. C. Vincent (Vincent & Goodrich), 13, Queen Street, Cheapside, London, E.C.4.

NEEDLER, GEORGE HENRY, Clerk to Hodgson, Harris & Co., Bank Chambers, Parliament Street, Hull.

NELSON, WILLIAM BERTRAM, Clerk to W. E. Nelson (W. E. Nelson & Co.), 22, Lord Street, Liverpool.

OCKENDEN, EDWARD, City Comptroller's Department, Westminster City Hall, Charing Cross Road, London, W.C.2.

OGG, FREDERICK WILLIAM, H.M. Inspector of Taxes (1st District), Revenue Chambers, 4, Howard Street, Sheffield.

OLLIFFE, WILLIAM CHARLES, Clerk to W. G. Olliffe, 8, Bush Lane, Cannon Street, London, E.C.4.

PARKINSON, ALFRED, Clerk to Halliday, Pearson & Co., 11, Spring Gardens, Manchester.

PASCHO, PERCIVAL DORTON, Clerk to S. H. Roberts, 7, Buckland Terrace, Plymouth.

PENNINGTON, NORMAN FRANK, Clerk to A. Armstrong (Armstrong, Worrall & Co.), 41, Corporation Street, Manchester.

PERCIVAL, WILLIAM EWART, County Accountant's Department, Cumberland County Council, The Courts, Carlisle.

PHILLIPS, ARTHUR FRANK, Borough Treasurer's Department, Town Hall, Huddersfield.

PINCH, ROY PATRICK, Clerk to Franklin, Wild & Co., Orient House, 42/45, New Broad Street, London, E.C.2.

PORTER, GARNETT, 15, Ferryquay Street, Londonderry, Practising Accountant.

PRICE, VIVIAN, City Treasurer's Department, The Council House, Birmingham.

PURSER, WILLIAM GODDARD, Clerk to Donald H. Bates, Central Chambers, 10, Cheapside, Hanley, Stoke-on-Trent.

RADFORD, WALTER FREDERICK, Clerk to H. C. Bunn (Wright, Fairbrother & Steel), 34/36, Gresham Street, London, E.C.2.

REYNOLDS, BERNARD, Clerk to S. E. Smith (Hoale, Smith & Field), 4, Broad Street Place, London, E.C.2.

RIDDLE, FRANK, Clerk to Price, Waterhouse & Co., 19, Rue de la Chancellerie, Bruxelles, Belgium.

RIVINGTON, HAROLD, Clerk to Hopps & Bankart, 25, Friar Lane, Leicester.

ROBERTS, PERCIVAL LLOYD, Clerk to E. H. Palmer, Bentinck Buildings, Wheeler Gate, Nottingham.

ROBERTSON, RONALD ROSS, Clerk to P. W. Stirk (Jacques & Stirk), 96, Cavendish Street, Keighley.

ROBERTSON, WILLIAM ERNEST, Clerk to Peat, Marwick, Mitchell & Co., 11, Ironmonger Lane, London, E.C.2.

ROBSON, ERIC JOHN, H.M. Inspector of Taxes (Hitchin District), St. Luke's, Walsworth Road, Hitchin.

ROBSON, THOMAS MURTON, Clerk to Fred. Hargreaves & Co., Bow Chambers, 55, Cross Street, Manchester.

RODDAM, WILLIAM RICHARD THOMAS, Clerk to George Little, 400/403, Moorgate Station Chambers, London, E.C.2.

ROPER, CHARLES ALFRED, Clerk to Howard Smith, Thompson & Co., Bank Chambers, 11, Waterloo Street, Birmingham.

ROSE, ROY KENNETH CAMPBELL, Clerk to B. de V. Hardcastle (B. de V. Hardcastle, Burton & Co.), Coventry House, South Place, Moorgate, London, E.C.2.

SCOTT, ROBERT DOWIE, Clerk to C. H. Warburton & Co., Coopers Buildings, Church Street, Liverpool.

SHARP, ROLAND NEWMAN, Clerk to Hodgson, Harris & Co., Cleethorpe Road, Great Grimsby.

SHAW, TOM, Clerk to F. P. Leach, Oxford Chambers, St. Stephen Street, Bristol.

SHEPPARD, HAROLD EDWARD, Clerk to H. A. Merchant (H. A. Merchant & Co.), 48, Uxbridge Road, Ealing, London, W.5.

SHERGOLD, EWART WILLIAM, Clerk to Spicer & Pegler, Bartlett House, 9, Basinghall Street, London, E.C.2.

SHIRLEY, GEORGE ERIC, Clerk to A. M. White, 28, St. Mary's Place, Newcastle-on-Tyne.

SINCLAIR, JAMES, Clerk to A. S. Atkinson (Atkinson & Boyd), 63, Hill Street, Newry.

SLATFORD, EDWARD ALFRED, Clerk to Levy Hyams, & Co., 60, Chancery Lane, London, W.C.2.

INTERMEDIATE—*continued.*

SMITH, ALBERT EDWARD, Clerk to Volans, Leach & Schofield, 112, Albion Street, Leeds.

STACEY, FRANK LESLIE, Clerk to Denton-Clarke, Jacobs & Co., Bank Chambers, 329, High Holborn, London, W.C.1.

STACEY, WILLIAM HARRY, Clerk to B. W. Antoine (Stephenson, Smart & Co.), Queen Street Chambers, Peterborough.

STAKES, RONALD, Clerk to W. D. Burlinson & Co., Union Bank Chambers, Batley.

STAPLETON, REGINALD JOHN, Borough Accountant's Department, Municipal Offices, Northampton.

STEPHENS, ROBERT LESLIE, Clerk to R. Gregg (Vaughan & Gregg), Lloyds Bank Buildings, King Street, Manchester.

SWINBOURN, FREDERICK BERTIE, Clerk to T. Turketine & Co., Mansion House Chambers, 11, Queen Victoria Street, London, E.C.4.

TAYLOR, LOUIS, Clerk to J. A. Kinnear & Co., 8, Westmoreland Street, Dublin.

TAYLOR, WILLIAM, Clerk to A. S. Oldman (John Potter & Oldman), 27, North Albert Street, Fleetwood.

THOMAS, ARTHUR JOHN, Clerk to Allan, Charlesworth & Co., 4, Fenchurch Avenue, London, E.C.3.

THORNTON, CLIFFORD, Clerk to P. D. J. Clarkson (Percival Clarkson), 19, Winckley Square, Preston.

TUKE, HENRY, Accountant-Quartermaster-Sergeant, Corps of Military Accountants, York.

VANDAM, LEONARD, Clerk to A. Thorp (Alfred Thorp & Co.), 7/8, Great Winchester Street, London, E.C.2.

WALLER, SIDNEY HORACE, H.M. Inspector of Taxes (9th District), 52, Basinghall Street, Leeds.

WALTON, WILLIAM, Finance Department, County Council of Salop, County Buildings, Shrewsbury.

WARBURTON, HAROLD GORDON, County Accountant's Department, Shire Hall, Nottingham.

WARD, FREDERICK WILLIAM, Clerk to J. W. Best & Co., 94, Old Broad Street, London, E.C.2.

WARR, FRANCIS MERCHANT, County Accountant's Department, 12, Northgate Street, Warwick.

WEBB, WILLIAM JOHN, Clerk to A. C. Ling, Old Library House, Dean Park Road, Bournemouth.

WEBBER, WILLIE MARTYN WILLIAMS, Audit Department, Ministry of Health, Whitehall, London, S.W.1.

WELFORD, LESLIE ROY, Clerk to Veitch & Co., 10, Coleman Street, London, E.C.2.

WHITE, GEORGE VICTOR, Clerk to Saunders, Bobart & Saunders, Gresham College, Basinghall Street, London, E.C.2.

WHITE, REGINALD LESLIE, County Accountant's Department, 12, Northgate Street, Warwick.

WILD, WILLIAM JAMES RITCHIE, Accountant's Department, Metropolitan Water Board, 173, Rosebery Avenue, London, E.C.1.

WILDE, JOHN NIGHTINGALE, Clerk to Joshua Wortley & Sons, Leader House, Surrey Street, Sheffield.

WILDE, PETER, Clerk to Pruddah, Eilbeck & Co., Central Buildings, North John Street, Liverpool.

WILKINSON, DONALD WESLEY, Clerk to J. H. Ward (Ward & Clarke), Castle Chambers, Cheapside, Preston.

WILKINSON, WALTER RIDGE, Clerk to Alfred Hobson, Borough Treasurer and Accountant, Town Hall, Southport.

WILLIAMS, THOMAS LLEWELLYN, County Accountant's Department, Shire Hall, Bedford.

WILLIAMSON, NORMAN BLAKE, Clerk to Rawlinson & Mitchell, Netherwood Chambers, 1A, Manor Row, Bradford.

WINTER, ARTHUR LESLIE, Clerk to Whinney, Smith & Whinney, 4B, Frederick's Place, Old Jewry, London, E.C.2.

WOOD, AMOS, Clerk to J. T. Henson, 129, High Street, Tunstall, Stoke-on-Trent.

WOOD, ARCHIBALD, Clerk to J. T. Henson, 129, High Street, Tunstall, Stoke-on-Trent.

WOODS, FRANK, Clerk to Richard A. Witty (Button, Stevens & Witty), 6, Dowgate Hill, Cannon Street, London, E.C.4.

WOOLVERIDGE, HUBERT HECTOR WILLIAM, Clerk to Deloitte, Plender, Griffiths & Co., 5, London Wall Buildings, London, E.C.2.

SUMMARY:—

6 *Candidates awarded Honours.*
156 *Candidates passed.*
167 *Candidates failed.*

329 Total.

Passed in Preliminary.

Order of Merit.

HARRISON, HENRY WILLIAM, 60, Arnott Street, New Kent Road, London, S.E.1. (*First Place. Disqualified for Prize by age limit.*)

MILNE, GEORGE DOTCHIN, 32, Warrington Road, Newcastle-on-Tyne. (*Second Place. Disqualified for Prize by age limit.*)

ROBERTS, EDWARD CHARLES JAMES, 45, Havana Road, Wimbledon Park, London, S.W.19. (*Third Place and Prize.*)

Alphabetical Order.

ABBOTT, WILLIAM LESLIE, 17, Spring Hill, Erdington, Birmingham.

ADAMS, HARRY, Cliff Cotts, Micklefield, nr. Leeds.

ALTASS, JOHN NORMAN, 17, Whingate Grove, Armley, Leeds.

ANDERSON, GEORGE STANLEY DODGSON, 4, Egmont Road, Middlesbrough.

ANDERSON, LESLIE ALFRED, 20, Knatchbull Road, Camberwell, London, S.E.5.

ARMSTRONG, HERBERT, "Craigavon," Ballymena.

ARNOTT, JOHN CUTHBERT, 72, Cleveland Road, Sunderland.

ATKINSON, WILLIAM WILKINSON, "Green Tree," Old Benwell, Newcastle-on-Tyne.

AYRES, HORACE GEORGE, 696, Barking Road, Plaistow, London, E.13.

BAILEY, JAMES, 113, Clowes Street, West Gorton, Manchester.

BAIRD, JOHN WILLIAM, Medical Institute, College Square North, Belfast.

BALLARD, GEORGE JAMES, "Somerley," Ashton Road, Bournemouth.

BAXTER, MALDWYN VINCENT, 53, Hannah Street, Porth, Glam.

BERESFORD, FRANCIS GERALD LOWRY, 28, Acton Lane, Fairlawn Park, London, W.4.

BERESFORD, STANLEY MARTYN, Lawn Avenue, Sutton-in-Ashfield, Notts.

BIRKETT, SIDNEY JAMES, 138, Crofton Road, Camberwell, London, S.E.5.

BOATWRIGHT, WILLIAM, 25, Glebe Road, Norwich.

BOND, LESLIE GEORGE, "Balmoral," Bowen's Hill Road, Coleford, Glos.

BRAGG, JOHN DUDLEY, 25, Clifford Avenue, East Sheen, London, S.W.14.

BRAY, ROBERT WILLIAM, 11, Leak Street, Old Trafford, Manchester.

BRIDLE, WALTER JOHN, 13, Connaught Terrace, Hove.

BRISCOE, JOHN EDMUND, Royal Standard Hotel, Conway House, Birkenhead.

CAPRON, FRANCIS WILLIAM RICHARD, 1, Hyacinth Terrace, Wellington, Som.

CLARKE, GEORGE, 1, Rushton Street, Hulme, Manchester.

COWLING, JOHN WILLIAM, 14, John Street, South Meadowfield, Durham.

PRELIMINARY—*continued.*

CROSS, WILLIAM CLIFFORD LISTER, 86, Lyrwood Road, Blackburn.

CURRELL, ROBERT HENRY, 72, Ruckholt Road, Leyton, London, E.10.

DALTON, CHRISTOPHER JOSEPH, 9, Elm Park Terrace, Terenure, Dublin.

DRAPER, SIDNEY EARL, 78, Goldsmith Road, Friern Barnet, London, N.11.

EDWARDS, HOWELL DAVID, Llwynwich Farm, Bryncethin, nr. Bridgend.

ELLIS, ERIC DIBNAH, Withernwick, Hull.

EVERITT, ERNEST VICTOR, 212, Whitehorse Lane, South Norwood, London, S.E.25.

EXTON, BERNARD ARTHUR, 61, Castlebar Park, Ealing, London, W.5.

FERNLEY, LEONARD CHARLES, 5, Quarrendon Street, Fulham, London, S.W.6.

FERRARRIO, WILLIAM, 562, Manchester Road, Swinton, Manchester.

FOREST, LEONARD, 4, School Street, Birstall, nr. Leeds.

FOWLER, FRED DENIS, 16, Quorn Road, Leicester.

GARNER, JOHN WILLIAM ERNEST, Ferndale, Meredith Road, Leicester.

GIBSON, DAVID, Carrickmannon, Ballygowan, Co. Down.

GOODWIN, STANLEY EDWARD, 5, Onslow Gardens, Muswell Hill, London, N.10.

GRAHAM, BURTON HOOD, 6, South Crescent, Hartlepool.

GREEN, NORMAN THOMAS, 72, Roath Court Road, Cardiff.

GRIFFIN, WILLIAM NICHOLAS, "Ashleigh," Clonskeagh, Dublin.

GUNS, CYRIL, 74, Leman Street, Whitechapel, London, E.1.

HARGREAVES, CHARLES JAMES, 395, Bowling Old Lane, Bradford.

HARRIES, DUDLEY HOWELL, 28, Hamlet Gardens, Ravenscourt Park, London, W.6.

HARRISON, JOSEPH HAROLD, 13, Airlie Place, Potternewton, Leeds.

HEALD, DONALD, 1, Lawrence Road, Chorley, Lancs.

HEATH, RICHARD EDWARD, The Nook, Wendover, Bucks.

HILL, ALBERT HENRY, 257, Wells Road, Knowle, Bristol.

HOLLIDAY, WILLIAM BANK, Mount Pleasant, Sacriston, Durham.

HOLMES, LESLIE, 9, Oxton Street, Higher Openshaw, Manchester.

HOOKER, ARTHUR TEASDALE, 4, Grindon Terrace, Sunderland.

HOPKIN, HAROLD CHATTERTON, 15, Redcliffe Avenue, Canton, Cardiff.

HOPTON, STANLEY HAYWARD, "Rawdon," Eaton Crescent, Swansea.

HORSLEY-CARR, PHILIP, Rosehill, Dodworth, nr. Barnsley.

HULIN, WILLIAM CHARLES, 46, Dock View Road, Barry Docks.

JACKSON, EDWARD CECIL, 18, Birchfield Road, Handsworth, Birmingham.

JAMES, JOHN HAROLD WHITFIELD, 25, Pulteney Road, Bath.

JAMES, LEONARD ASTLE, 101, St. Giles Road, Derby.

JESSOP, REGINALD, 21, Cranbrook Avenue, Beeston, Leeds.

JOHNSON, HARRY, 67, Park Road, Bradford.

JOHNSON, JOHN, 20, Station Street, Waterhouses, Durham.

JONES, HORACE, 46, Ham Park Road, Stratford, London, E.15.

KEYWORTH, JOSEPH WILLIAM, 1, Middleton Street, Spring Bank, Hull.

KIRKLEY, ARNOLD WILFRED, "Arnecliff," Warren Avenue, Cheadle, Ches.

LENNOX, VINCENT HEDLEY, 59, High Street, Holywood, Co. Down.

LEWIS, HARRY, Courtenay Road, Woking.

LIVIE, RONALD CHARLES, 14, Park Retreat, Smethwick, Staffs.

LOXHAM, SAMUEL MOSS, West View, Bretherton, Preston.

MCKECHNIE, DENYS MAITLAND, Devonshire Lodge, Eastbourne.

MCKEE, LEWIS SHERRY, 154, Antrim Road, Belfast.

MCMILLAN, DAVID DUNCAN, Sydney House, 18, Woodbine Place, Leeds.

MACE, CYRIL STANLEY, 6, Glasford Street, Tooting, London, S.W.17.

MAGEE, JOSEPH, 3, Candahar Street, Belfast.

MANN, HORACE, 2, Dartmouth Terrace, Oak Lane, Bradford.

MANSON, GEORGE WILLIAM, 34, Birchington Avenue, South Shields.

MASON, JOHN HERBERT, 6, Willow Brook Road, Leicester.

MERRITT, FREDERICK HARCOURT, 13, Folkestone Road, West Ham, London, E.15.

MOORE, WALTER EDWARD, 9, Stanley Road, Meersbrook, Sheffield.

MORGAN, WILLIAM PERCIVAL, Maesygwerneu, Abercrave, Swansea.

MOWAT, JAMES ALEX, 8, Balgray Terrace, Springburn, Glasgow.

MYERS, MAURICE, Stockeld Grange, Wetherby.

NEWELL, ERNEST, "Newbrigg," Haddingley Hill, Wakefield.

NUTTALL, HARRY, 15, Manor Road, Sale, Manchester.

O'DONNELL, EUGENE PATRICK, 11, Grantully Terrace, West Hartlepool.

O'SULLIVAN, DANIEL FRANCIS, 1, Upper Ely Place, Dublin.

OWEN, WILLIAM DEREK MOSTYN, 4, Park Road, Wallington, Surrey.

PARKER, CHARLES HAROLD, Browsholme, Barnsley.

PARNABY, JOHN, 12, Talbot Road, South Shields.

PLATTS, FRED, 26, Lyndhurst Street, Derby.

POWELL, CLEDWYN LLOYD, 23, Wern Road, Ystalyfera, Glam.

PRICE, NORMAN LAMONT, 154, St. John Street, Possilpark, Glasgow.

RAYNER, SIDNEY, 8, Marney Road, Clapham Common, London, S.W.11.

RENWICK, HARRY DOUGLAS, 76, Poole Crescent, Cross Gates, Leeds.

RICHARDS, ALEXANDER GEORGE, 17, Burtop Road, Earlsfield, London, S.W.17.

ROBERTS, FREDERICK ROY, 3, Arthur Road, Cliftonville, Margate.

ROBINSON, FREDERICK JOHN, 155, Blagdon Road, New Malden, Surrey.

ROWLEY, JOSEPH SYDNEY, 4, Vicarage Terrace, Wandsworth, London, S.W.18.

SAUNDERS, DOUGLAS MARTIN, 123, Poplar Avenue, Edgbaston, Birmingham.

SIMPSON, FREDERICK ALEXANDER, 13, Warbeck Road, Shepherds Bush, London, W.12.

SMITH, EDWARD, Tabley House, Broughton, nr. Preston.

SMITH, GEORGE HERBERT, 22, Thompson Street, Moss Side, Manchester.

SMITH, SYBIL MARY, 31, Beaconsfield Road, Cannon Hill, Birmingham.

SPENCER, ERIC CLAUDE GRANVILLE, 29, Kings Avenue, Bromley, Kent.

STEPHENS, STANLEY GORDON TONNSTEIN, Elm Lawn, Broad Lane, Hampton-on-Thames.

STEVENS, HORACE GEORGE, "Montreux," Victoria Road, Sidcup.

SUDELL, HAROLD, 6, Richmond Terrace, Ripon Street, Preston.

PRELIMINARY—*continued*.

SUMNER, ARTHUR BIRD, 5, Buckland Crescent, Belsize Park, Hampstead, London, N.W.3.

TEMPLETON, RICHARD SHAW, 175, Osborne Road, Portswood, Southampton.

THORP, JOHN ASHWORTH, Park View, Boothroyden, Rhodes, Manchester.

TILNEY, COLIN VINCE, 6, Drayton Green Road, West Ealing, London, W.13.

TRAVERS, JAMES, 7, Harry Street, Salterforth, *viâ* Colne, Lancs.

TWISELTON, REGINALD ALFRED, 7, Ashfield Road, Victoria Park, Manchester.

TWISSE, EDWARD WILLIAM, 18, Stamford Street, Old Trafford, Manchester.

VANSTONE, SIDNEY CYRIL, 42, Princess May Road, Stoke Newington, London, N.16.

WALTERS, WILFRED ROLAND, "Strathcona," 52, St. James Road, Shirley, Southampton.

WARREN, FREDERICK, Trevenson Terrace, Carn Brea, Cornwall.

WEATHERILL, LEONARD OWEN, 7, Burch Road, Rosherville, Gravesend.

WEIR, WILLIAM ROWAN, 13, Marine Parade, Holywood, Co. Down.

WHITING, HAROLD ARTHUR, 21, Huntingdon Street, Barnsbury, London, N.1.

WILKINSON, SYDNEY JAMES, 23, Newsham Road, Meersbrook, Sheffield.

WOOD, GEORGE DESMOND HOWE, "Redcot," Linden Avenue, Ashton-on-Mersey, Ches.

SUMMARY:—

3 *Candidates awarded Honours.*
123 *Candidates passed.*
90 *Candidates failed.*

216 Total.

OBJECTIONS TO A CAPITAL LEVY.

Evidence of Sir James Martin.

Lord Colwyn's Committee on the National Debt and the incidence of existing taxation met on June 30th at 5, Old Palace Yard, Westminster, and took evidence from Sir James Martin, F.S.A.A., representing the Association of British Chambers of Commerce.

Sir James Martin stated that, in the opinion of the Association of British Chambers of Commerce, extension of trade was now the prime necessity. It was more essential to do all that was possible, by means of debt conversion and rigid economy, to reduce the excessive burden of taxation, than to make a large repayment of National Debt at an early date. If a capital levy were imposed for such a purpose, it would disastrously affect manufacturing enterprise and would dislocate trade and finance, in which stability was the first consideration. Sinking funds should be maintained so that debt repayment should be gradual but regular; they should, however, be increased if and when trade conditions permitted.

Apart from the fundamental objections to any capital levy, it was difficult to conceive a scheme which would not be inequitable and extremely costly. As the debt was created for the benefit of all, and was a national responsibility, the burden of its redemption should be spread, as nearly as possible, over the whole community. The exemption limit of £5,000 which had been suggested by the Labour Party was too high, since it would confine the levy to a comparatively small section of the community, which had been estimated at some 340,000 persons. But whatever the exemption limit, the inequities would be very great. The distinction between a levy and an income tax was vital. The income tax, although it tended to lessen fresh accumulation of capital, left existing capital in the hands of those who could best make it productive, namely, individual earners and savers. A capital levy, on the other hand, deprived a taxpayer for all time of a large proportion of his capital, and also of the income thereon. It penalised the man who had saved as compared with the man who had lived up to his income. Again, it discriminated against savings made prior to the date of its imposition as compared with subsequent savings. Further inequities were due to the fact that some kinds of capital were harder to realise than others, and also to the fact that some kinds were harder to value, in any except an arbitrary fashion. Another special example of inequity was the exemption of the professional man or artist with little or no capital, but with very large earning power. The exemption would be inevitable because it was impossible to value so-called "brain capital."

The witness expressed the view that, while it was possible that something might be done to mitigate the great hardships to which individuals would be subjected by a levy, little or nothing could be done to soften the blow to industry. Whatever the state of trade, the imposition of a capital levy would cause lessened activity and so destroy wealth. It would involve not only a huge transfer within the country, but also the transfer of large sums from this to other countries in redemption of securities held by residents in those countries. This country had with difficulty pursued the path of financial convalescence on the present system of taxation, and, both in psychological and in material effect, the major operation of a levy would be more objectionable now than it would have been immediately after the armistice. The friction and dislocation immediately following its imposition would be much greater than that caused by the present high annual taxes, and would outweigh any advantage derived from a subsequent easing of taxation. A serious temporary dislocation of business might result in a still further diminished foreign trade, and it was problematical whether industry could eventually recover. Unemployment would certainly be increased. Many businesses carried on with a small margin of working capital would have to wind up.

Owing to its psychological as well as its practical effects a capital levy would discourage saving much more than a high rate of income tax. Individuals not subject to the levy would be affected as well as those to whom it applied, for no one would be convinced that the first levy would be the final levy. Moreover, they would suffer like others from the dislocation, disturbance and diminution of trade that would result from the imposition of the levy.

A levy, being in the main a transfer from various individuals in the community to others, would not affect Government stock adversely in the aggregate. Even if confined to British nations, however, it would cause apprehension to foreign investors lest they should be in some way affected either immediately or in the future. The country would thus lose its position as one in which money can be invested, or balances deposited without fear.

The destruction of £3,000,000,000 Government securities as instruments of credit, even if other securities of less amount and standing were substituted, must necessarily result in a great measure of deflation. The increase in prices of essential commodities which would probably arise might not at first lead to deflation, but would eventually do so, and it would last for a long time.

With regard to provisions for payment of a levy Sir James stated that it was the view of the Chambers that if it were imposed it should be spread in moderate instalments over a considerable period of years. But, whatever arrangements might be made, they were unanimously opposed to a capital levy in principle, and regarded it as manifestly impracticable, in the sense that it could never be imposed with any approach to equity of assessment. It would be a haphazard appropriation of capital from those from whom it was possible to extract it.

This country, not being self-supporting but dependent for its economic existence upon trade and industry, was peculiarly unfitted to risk an experiment which the Association considered would be disastrous.

Residence in Relation to Income Tax.

A LECTURE delivered before the Incorporated Accountants' Students' Society of London by

MR. G. J. G. HUGHES, LL.B., A.C.A.

The chair was occupied by Mr. E. FURNIVAL JONES, F.C.A., Incorporated Accountant.

Mr. HUGHES said: When your Committee honoured me with an invitation to give a lecture before your Society, suggesting I dealt with some phase of the income tax, I decided to adopt for this evening's discussion the subject of residence and its importance in relation to United Kingdom income tax.

Residence is one of the most important conceptions in income tax, as upon this depends the question of whether a person is to be assessed on the whole of his profits wherever they arise, or only on those arising in the United Kingdom.

DIFFERS FROM DOMICILE.

In dealing with the subject of residence I should like firstly to point out that residence and domicile are not necessarily synonymous. With certain rare exceptions an individual can only have one domicile, but he may have half-a-dozen residences. Moreover, a corporation cannot have any domicile in the strict legal sense, but only a residence.

DOMICILE.

Domicile may be defined as "the legal relationship between an individual and the locality which is determined by law to be the place of his permanent residence"—the place or country which is in fact his permanent home.

Now domicile is of the utmost importance in international private law, as it is the determining factor in deciding which country's laws shall apply when considering marriage and divorce, the capacity to make, the form, and the validity of the provisions of a will of movables, as well as the question of intestate succession to movables. Thus it can be seen that in these cases there is a necessity to determine which place is to be considered as a man's permanent home, and which country's laws are to apply. Apart from a domicile of origin, namely, the domicile which an individual acquires at birth, the important factors in determining domicile are "intention" and "law." Firstly it must be asked "Has an individual the intention of making the place in question his permanent home?" and if that is answered in the affirmative then one must ask "Does the law of that country accept as domicile mere long residence, or must anything else be done such as filing a declaration before a domicile is legally acquired?" Thus it is by no means solely a question of fact.

RESIDENCE.

Residence is, however, something much less permanent, and is primarily a question of fact. Admittedly one can always find a question of law by saying: "Given certain facts, do these facts constitute a legal residence within the meaning of the Acts?" but a person's acts are the most important factor. A man cannot acquire a domicile unless he has the intention of doing so, but a man can become, and has frequently been held to be, a resident and so liable to income tax without his having had any intention of so being.

I will now consider the statutory provisions and then discuss various cases which have dealt with the subject of residence, as I feel that in discussing such a subject the consideration of the Act without any consideration of the cases bearing upon the provisions contained in the Act is valueless.

These cases naturally fall into two groups, namely, those dealing with the individual and those dealing with corporations.

STATUTORY PROVISIONS REGARDING RESIDENCE.

Rule 1 of Schedule D provides that tax under this Schedule shall be charged in respect of the annual profits or gains arising or occurring:—

(1) To any person residing in the United Kingdom from any kind of property whatever whether situated in the United Kingdom or elsewhere, and

(2) To any person residing in the United Kingdom from any trade, profession, employment or vocation whether the same be respectively carried on in the United Kingdom or elsewhere.

(3) To any person whether a British subject or not although not resident in the United Kingdom from any property whatever in the United Kingdom or from any trade, profession, employment or vocation exercised within the United Kingdom.

Rule 2, Miscellaneous Rules, Schedule D, provides that a person shall not be charged tax under this Schedule as a person residing in the United Kingdom in respect of profits or gains received in respect of possessions or securities out of the United Kingdom, who is in the United Kingdom for some temporary purpose only and not with any view or intent of establishing his residence therein, and who has not actually resided in the United Kingdom at one time or several times for a period equal in the whole to six months in any year of assessment. But if any such person resides in the United Kingdom for the aforesaid period he shall be so chargeable for that year.

Rule 3, All Schedule Rules, provides that every British subject whose ordinary residence has been in the United Kingdom shall be assessed and charged to tax notwithstanding that at the time the assessment or charge is made he may have left the United Kingdom, if he has so left the United Kingdom for the purpose of occasional residence abroad, and shall be charged as a person actually residing in the United Kingdom upon the whole amount of his profits or gains whether they arise from property in the United Kingdom or elsewhere.

The above rules are almost identical with sects. 2 and 39 of the Income Tax Act, 1853, so that they do not represent any change in law.

SUMMARY OF ABOVE PROVISIONS.

It will, therefore, be seen that under the rules of Schedule D, if a person is held to be resident in this country then the Act contains sufficient authority for him to be assessed on his profits wherever they are earned: but if he is a non-resident then he is liable to be assessed only on profits made within the United Kingdom: that temporary residence here shall not of necessity constitute residence, and temporary residence abroad shall not of itself constitute non-residence. These provisions at first sight may appear to be perfectly clear, but they have given rise to some dozen or more cases all turning on the point "What is residence?"

CASE LAW CONCERNING INDIVIDUALS.

So far as the earlier cases relating to individuals are concerned, once the Revenue established residence it was not disputed that there was liability under Schedule D on the whole of the profits wherever earned.

The first two cases in *Re Young* (1875) and *Rogers* v. *Inland Revenue* (1879) deal with the position of merchant skippers who are serving on the high seas during the greater part of the year, but whose families live in the United Kingdom.

In *Young's* case, Lord President attempted to define what is a residence. "The words used," he states, "are 'a person residing in Great Britain or elsewhere.' There are a great many persons who do not leave their places of residence very often, but there is certainly a much greater number of persons who are constantly leaving their places of residence, and I suspect that this latter class is increasing every day with the activity and restlessness of the present time." [This in 1875.] "Thus anything like continuous residence is not a thing that this statute can be held to contemplate at all if by continuous residence were meant constant personal presence in one place . . . . I have no doubt myself that if a man has his ordinary residence in this country it does not matter much whether he is absent for a greater or a short period of each year from that residence or the country itself . . . ."

Rogers' case merely followed this judgment.

The next case, and one which has often been quoted, is *Lloyd* v. *Sulley* (1884). It dealt with the case of a merchant who carried on a business in Italy, where he ordinarily resided, but who also had a lease of a castle in Scotland. Thomas Lloyd appealed against a Schedule D assessment of £20,000 in respect of his profits from trade carried on in Italy, and it was held that as he was a resident in the United Kingdom he was as

such liable in respect of the profits of the business carried on abroad. (The liability of foreign profits and the question of control was, however, and is now, governed by *Colquhoun* v. *Brooks*, decided in 1889.) In his judgment in *Lloyd* v. *Sulley*, the Lord President deals fully with the question of residence. and emphasises the fact that a man can have residences. After stating the provisions of the charging section he goes on to say "There is no mention in this taxing clause of the character of the residence as being an ordinary residence or a temporary residence or residence for any particular part of the year or proportion of it. 'Residing in the United Kingdom' are the only words we have to guide us. Now if a man can only be resident in one place in any particular year there might be a great difficulty, but surely there is nothing more familiar to one's mind than that a man has during any particular year, or during a course of years, residences in different places existing at the same time. A man cannot have two domiciles at the same time, but he certainly can have two residences. This is 'place of residence,' and if he occupies this place of residence for a portion of a year he then is within the meaning of the clause, as I read it, residing there in the course of the year."

Cooper v. *Cadwalader*, decided in 1904, was on similar lines to *Lloyd* v. *Sulley*, although following *Colquhoun* v. *Brooks*, the assessment here appealed against had been made only on the remittances to the United Kingdom, and not on total profits made abroad, and it contains some very important and illuminating dicta. In *Colquhoun* v. *Brooks* the apparently clear charging words of Schedule D, namely, "in respect of the profits of a trade or business carried on anywhere by a person resident in the United Kingdom" were examined, and it was decided that as the Income Tax Acts had made no machinery for collecting tax on the profits of a business carried on entirely abroad otherwise than by charging on remittances, under Case V they were unable to substantiate any assessment on the profits of such business otherwise than on the basis of remittances.

Cooper v. *Cadwalader* dealt with the case of a man whose ordinary residence was in New York, but who for a certain period in each year occupied a furnished house and shooting in Forfarshire. It was admitted that during his stay in the United Kingdom Cadwalader kept open his house in New York and paid all taxes thereon, so that he could return there at any moment.

The Lord President stated, however, that he felt bound by the principle laid down in *Lloyd* v. *Sulley* that domicile has no bearing on the question, and that where a person has in fact a residence in the United Kingdom he is chargeable as a person residing there, although he may also have a residence or residences out of the United Kingdom.

The dicta of Lord Adams is also of interest. He is an American, but that makes no difference in the application of the Act so far as what the Act says, which is "That any person residing in the United Kingdom shall be liable." Now in order to reside a person must have a residence, and the question is what residence has the respondent here. He is bound under a lease of a furnished house which he has occupied continuously for two months in each year as if it were his own house, but it makes no difference living in a furnished house. This is the mode of residence of this gentleman. Can it be said that during these two months in which he is living continuously in Millden Lodge that he is not residing there. Where is he residing? In my humble opinion it is at Millden Lodge. The words "bound under a lease" would seem to indicate that if a person is staying in any house or hotel on such terms that he could walk out tomorrow, then he is not 'maintaining a residence.'

The question of exemption for a person here for a temporary purpose not exceeding six months (see Rule 2, Miscellaneous Rules, Schedule D) is also dealt with authoritatively in this case by Lord Maclaren, and his remarks on the subject are exceedingly interesting. It had been suggested on behalf of *Cadwalader* that he was not here for six months in any tax year, and was therefore not a resident. Lord Maclaren therefore deals with the exemption in the following words:— "Now the exemption is one that walks upon two legs. It is first that the party is here for a temporary purpose only, and secondly, that he is here not with a view or intent of establishing a residence. If the argument is lame on one of the legs then the party does not gain the benefit of the exemption, because he must be able to affirm both members of the double proposition. There might, I think, be possible room for difference of opinion as to the meaning of the words 'view or intent of establishing a residence.' The words are somewhat vague, but they seem to me to recognise what may be called a constructive residence as distinct from actual residence. It is not that you take a house with a view or intent of establishing a residence although you may not have had time to become a resident. Still, if you are looking forward to it apparently that makes you liable to taxation, because in order to get the benefit of the exemption you must say that you have no view and no intention of acquiring a residence there. I don't think that Mr. Cadwalader is in a position to affirm when he comes here year after year during the currency of his lease to spend the shooting season in Scotland that he is here for a temporary purpose only. I should say that temporary purpose must mean casual purpose as distinct from the case of a person who is here in the pursuance of his regular habits of life. Nobody ever supposed that you must reside twelve months in the year in order to be liable for income tax."

In my opinion *Cooper* v. *Cadwalader* is important in two respects, namely, that it contains an authoritative statement as to the limitation of the assessment on an individual whose ordinary residence is abroad and who carries on a business entirely abroad—a step further than *Colquhoun* v. *Brooks*, which deals with the case of a partnership—and it also contains a very clear enunciation of the exemption which is to apply to persons temporarily in the United Kingdom. While on this point it is important to remember that Cases IV and V of Schedule D, which assess liability on income "arising" in certain cases whether remitted or not, contain a *proviso* that in the case of a person not domiciled or not ordinarily resident in the United Kingdom, the assessment shall be only on remittance.

Turnbull v. *Foster* (1904), which was decided barely a month before *Cooper* v. *Cadwalader*, was a case in which the individual succeeded against the Crown upon this question of residence, and is important in that it laid down the principle that even though a person maintains a residence here he is not liable to be assessed as a resident if he is out of the United Kingdom for the whole of the tax year. In the case in question Turnbull was a merchant who carried on business and whose ordinary business was in Madras. He had, however, a house in Edinburgh purchased in his wife's name and to which in nearly every year he came for a short period, together with his wife and family. For the actual year of assessment, however, namely 1902-3, his children lived in Edinburgh, but he and his wife lived in Madras, and he was assessed on £720, being the three previous years' average of the remittances to the United Kingdom. The Commissioners held that he was liable and confirmed the assessment. Turnbull appealed, and the assessment was quashed. The Lord Justice Clerk referred to the fact that an assessment had been made on a man who had never been in the country, and said "I think that would require a pretty strong case indeed. In the other cases quoted to us a person has been resident for a certain time during the year in the United Kingdom," and Lord Trayner said "Liability is to arise in respect of a person residing in the United Kingdom. It is not having a residence in the United Kingdom. He is actually to 'reside in the United Kingdom.' I think that to suggest that he was residing in the United Kingdom is contrary to the plain meaning of the admission and to the fact that during the whole of the year of assessment he was residing in Madras."

The case of *Bayard Brown* v. *Burt* (1911) is interesting owing to the novelty of the point raised therein rather than to any new principles of the law. Brown was an American citizen who for twenty years had lived on a steam yacht, the "Valfreyia," anchored in the Colne off Brightlingsea in the County of Essex, under a quarter of a mile from the bank. The yacht was on the American registry, and it was admitted that for Admiralty purposes the American Court of Admiralty, not the British Court of Admiralty, would have jurisdiction over her. During the whole of the twenty years the vessel was maintained in a state ready to go to sea, flew the American flag, and watches were kept up. As a fact the vessel never did put to sea. Reference was made to the case in *re Young*, already referred to above, in which it was stated that a ship could not be called a residence.

The Commissioners had decided that Brown was residing in the United Kingdom, and the Master of the Rolls said that in

his opinion there was sufficient evidence for the Commissioners to confirm their finding of fact. After referring to the fact that in Young's case the master sailed between Glasgow and the Medway, his residence was held to be in Glasgow, he goes on to say "but to state that that is a proposition involving this statement that there cannot be residence within the meaning of the Act in a vessel anchored within the county for twenty years, is, I venture to submit, to put upon the words used by the learned Judge a meaning which they certainly do not bear. I really do not see that flying the American flag has anything to do with the matter. I think this appeal is quite hopeless, and must be dismissed with costs.

Finally we come to the case of *Thompson* v. *Bensted* (1918), interesting because it forms a useful comparison with two other cases, namely, *Pickles* v. *Foster* ((1912) K.B.D.) and *Pickles* v. *Foulsham* ((1923) K.B.D.). Incidentally a careful perusal of these last three cases shows the vital importance of an assessment being made under the correct schedule and case, and of all the precise points of difference being included in the appeal. Both *Thompson* v. *Bensted* and *Pickles* v. *Foster* are cases of individuals who owned or leased houses in the United Kingdom in which their wives and families lived while they themselves exercised employment in West Africa, Thompson being an agent for Miller Bros. (Liverpool) Limited, Pickles for the African and Eastern Trading Corporation, Limited.

In both cases money was paid in the United Kingdom to the respective wives, and the assessments were made in years in which the individual was actually in the United Kingdom. In Thompson's case, however, the assessment was made under Case II, Schedule D, which placed the Revenue in a strong position, as the question of residence is expressly provided for therein, whereas in Pickles' case the assessment was made under Schedule E as being in respect of an office or employment exercised in the United Kingdom. The result was that Thompson lost his case, but Pickles won. In Thompson's case the assessment, being made under Case II, Schedule D, was governed by the general charging words: "In respect of an employment carried on anywhere by a person residing in the United Kingdom." The case therefore turned solely on the question of residence, and the Crown succeeded. The Lord Justice Clerk expressly stated that the appellant resided where his house was, and that it made no difference that he might also have been held to have resided in Africa for the eight months in which he was actually there.

Lord Dundas reviewed the past authorities and dwelt on the extract which I read to you from *Lloyd* v. *Sulley*, namely, "that there is no mention in the taxing clause of the character of the residence," and Lord Salvesen referred to Lord Trayner's remarks in *Turnbull* v. *Foster*, that the basis of this question is not "having a residence" in the United Kingdom, but is "residing" in the United Kingdom.

In the earlier case of *Pickles* v. *Foster*, however, the question of residence was not in appeal, but as the assessment was under Schedule E the place of the employment was the important factor. The Commissioners confirmed the assessment, but it was quashed on appeal to the Court. Mr. Justice Horridge, after dealing exhaustively with the various employments assessable under Schedule E, held that Pickles was not, in his opinion, exercising an employment in the United Kingdom as the whole of his duties had to be carried out abroad.

SUMMARY OF CASES DEALING WITH INDIVIDUALS.

I will now summarise the cases dealing with individuals before passing on to the next group—cases dealing with companies.

In *re Young*, and also *Rogers* v. *The Inland Revenue*, we had cases of merchant skippers with only homes on land in the United Kingdom, and it was held that their absence abroad was merely temporary, and although they actually spent a certain time abroad, they were not bound by contract to do so otherwise than to follow the voyage of the ship. This appears to distinguish them from Pickles' case, where his whole employment was abroad and his contract with the company was for services out of the United Kingdom. Moreover, as I pointed out, the assessment appealed against was under Schedule E; had it been made under Case II, Schedule D, as in *Thomson* v. *Bensted*, the Revenue might have succeeded.

The next three cases, namely, *Lloyd* v. *Sulley*, *Cooper* v. *Cadwalader* and *Turnbull* v. *Foster*, all dealt with merchants who carried on businesses entirely abroad, but who also had residences in this country. In Lloyd's case he was assessed on the whole of his profits owing to the fact that the Judge held that, being a resident in the United Kingdom, he was liable to be assessed on his profits wherever they were earned, under Case I of Schedule D.

In *Cadwalader's* case the assessment was only on remittances, as *Colquhoun* v. *Brooks* had in the meantime laid down the proposition that if the whole of the business was carried on abroad it was a foreign possession and the individual was only liable to an assessment on remittances.

Turnbull v. *Foster* laid down the proposition that if a man who had a residence in this country was never in the country for one day during the tax year he could not be assessed as a resident in respect of profits arising abroad. It must, however, be borne in mind that in Turnbull's case his ordinary residence was abroad and was not in the United Kingdom. Had his ordinary residence been in the United Kingdom, his year's absence might not have exempted him if it could have been shown to be merely a temporary absence.

So far as the individual is concerned, it is clear, therefore, that if a person maintains a house in this country (this is the clearest evidence of his "residing in" this country), whether it be his own house or a furnished house taken on a lease in such circumstances that he habitually resorts to this house over a period of years, whether for one month or for twelve months, it is a residence, and he is deemed to reside there.

Moreover, if a man's ordinary residence is in the United Kingdom and he goes abroad temporarily, he shall not thereby cease to be a resident. Stating the converse, a person is a non-resident only if (*a*) maintaining a house in the United Kingdom he does not come here even for one day during the year, as in *Turnbull* v. *Foster*, or, alternatively, comes under the exemption referred to in *Cooper* v. *Cadwalader* as a two-legged proposition, namely, temporarily in the United Kingdom without any intention of establishing a residence and has not been in the kingdom for more than six months during the tax year. In such cases, being a non-resident, he is liable only in respect of income arising in the United Kingdom.

In all cases, however, it is important to remember that, whether an individual is a resident or not, he is always liable to tax in respect of profits which arise in the United Kingdom.

In this connection it should be borne in mind that both the Isle of Man and the Channel Isles are outside the United Kingdom, although forming part of the British Isles, and for purposes of income tax they are places abroad. Thus, as a result a large number of individuals who have made their fortunes in this country and wish to retire take up their residence in one or other of these islands and invest their money in foreign or Colonial securities or in British stocks, the income of which is exempt from income tax to persons resident abroad. Should any of these individuals, however, come over here for any regular period, say the winter months, in each year and take even a furnished house they would in my opinion undoubtedly be liable as residents in the United Kingdom, and although there has been no case on the point, probably owing to the great difficulty of keeping track of such people, if it could be proved that a person regularly came over here for three or four months year after year, although each time he lived at a hotel, it seems to me he might reasonably be held to be residing in the United Kingdom. Residence in a hotel is surely no less a residence than sojourning on a ship.

CORPORATIONS AND THE DOCTRINE OF CONTROL.

I have now dealt with the question of residence so far as it relates to the individual. I may appear to have laid greater stress on the residence of an individual than I am about to do on the residence of a corporation, but I feel that one can gain a clearer idea of the conception of residence from a study of the cases dealing with the residence of the individual than those relating to the residence of a corporation.

I will now deal with the question of corporations, and here we become involved in what is known as the doctrine of control.

The practical difficulty of dealing with the case of a corporation is that corporations cannot be said to live and sleep in any particular place. It is therefore necessary to lay down certain rules of constructive residence, and as a result

of case law there has grown up the doctrine of control. If a corporation is controlled from this country, no matter where it is incorporated, it is held for English income tax purposes to be resident here, and if control has been established there can be no question of an assessment under Case V on remittances only, the whole of the profits being liable.

The question first came before the Courts in 1876, in two cases which were heard concurrently, namely, the *Calcutta Jute Mills Company, Limited*, v. *Nicholson* and the *Cesena Sulphur Company, Limited*, v. *Nicholson*, the third case, that of *Imperial Continental Gas Company, Limited*, v. *Nicholson*, being decided on the same lines a year later.

In the first case, although the main business was the running of jute mills in Calcutta, the company was managed by a board of directors sitting in the United Kingdom. There were English and Indian shareholders and English and Indian share registers.

In the *Cesena* case the company's operations were in Italy, and they had a board of eight directors, who held their meetings in England and delegated two or three members to form an Italian board. In both cases the dividends required for the English shareholders were the only parts of the profits remitted to the United Kingdom, but in view of the fact that the directorate and main control was in England it was held that these companies were technically resident here, and so liable on the whole of their profits.

In dealing with the question of the residence of a corporation, Chief Baron Kelly, after dealing with the facts of the case, sums up the position as follows: "Therefore, within these words, if a company can be said to reside anywhere (and we must suppose that a company can reside, in order to give any effect at all to the Act of Parliament touching joint stock companies), this joint stock company undoubtedly, in my opinion, resides at the office or place of dwelling, wherever it may be—I think that it is in Bishopsgate or Great St. Helens—where the directors meet, where other meetings even of the whole company or those who represent the whole company are held, and where they transact their business and exercise the powers conferred upon them by the laws of the country and by the Articles of Association."

And later: "If a foreigner residing abroad and having no property or interest in this country and no connection with this country thinks fit to come and invest his money in this country and so obtain the broad shield of protection of the law to his property he must take it with the burdens belonging to it" (Huddleston (B.), p. 103) as also interesting.

The next case is the well known case of *San Paulo Railway Company* v. *Carter* (1895). In that case an English company was formed for the purpose of making and working a railway in Brazil. The business was carried on under the control and direction of the directors here; accounts were kept in London, where all meetings were held and all dividends declared. According to Article 110 of their Articles of Association, the board had full power to enter into all contracts.

The argument in this case put forward by the company was not upon the question of control, for the facts were too strong to deny this, but on the fact that the whole of the effective business of the company was carried on abroad, and that therefore what the company held—namely, a railway in Brazil—was a foreign possession, and the assessment should be limited to remittances only under Case V.

The Master of the Rolls rejected this argument, after stating the law as to the liability to assessment. He says: "The Statute does not say where the profits are earned. It says where the trade is carried on. It is the whole trade which produces the profit. Now we have to decide this case upon a statement of fact, and what have we to go upon? It is admitted that the trade which is here carried on by the company is the trade of a railway carried on by an English company, and that the company is resident in England. What does the company do with regard to the business? It does everything. A director does not get on an engine in America and drive it, but he can say what man shall get on the engine, and how many hours that man shall work and at what pace he shall drive the engine. Everything is done by the order of the directors. They make all the contracts. It is said that they buy all the materials, and it is said that they buy all the engines, and in the trade or business of a railway if you buy bad engines you are pretty certain to come to grief, and where will your whole trade go to? If you buy a series of bad engines your profits will never appear. Then no one in America, according to the statement of this case, has any power to do anything but to obey orders. It is beyond discussion and beyond doubt that a great part of this business or trade is done in England by the masters of that trade, who are the directors of the English company."

The next case, *James Wingate & Co.* v. *Webber* (1897), dealt with a company which, although held to be resident abroad, was yet liable on the whole of the profits on the ground that it was exercising a trade within the United Kingdom.

The company was registered in Christiania. The statutory work of the company, namely, the keeping of the share register, the issuing of the certificates and the registered office, were all located in Norway, but the whole of the business of chartering and all voyage receipts and disbursements were dealt with by John Wingate & Co., of Glasgow, who received and retained all funds, entered into charters (without consulting the management in Christiania) and paid the dividend.

On the mere question of the location of the company the Lord President was in favour of the company. "My opinion on this point," he says, "is rested simply on these grounds: the company is constituted under Norwegian law, its registered office is in Norway, there are kept its books, there the ship is registered, and there two of its principal officers reside. It is true that the vast majority of its shareholders are British, and that its business is in the main conducted in Glasgow. But, on the other hand, Great Britain is the centre of the carrying trade of the world and the best point from which to run a vessel, however owned; and although it may well be conjectured that equally legitimate reasons might have led to the registration of the company in this country as to its registration in Norway, still I am unable to disregard the fact that *primâ facie* this is a Norwegian company, and I do not find adequate grounds for holding that in fact it is resident in Great Britain."

This is important, as if the company is resident in the United Kingdom the company must be assessed, but if the company is resident out of the United Kingdom then any assessment can only be made on its agent, in this case Wingate & Co., who must pay and recover from the principals, even though in the course of the business the agent does not receive the profits, and so cannot retain the tax he has paid (see Rule 5, all Schedule Rules).

Having decided that the company was resident outside the United Kingdom, the Lord President went on to decide that in the circumstances of the case a trade was carried on in the United Kingdom through Wingate & Co. as agents (the question of agency was not disputed), and so there was liability to assessment.

The next case is that of *De Beers Mines, Limited*, v. *Howe* (1905-6), which went to the House of Lords and has been quoted in practically all succeeding cases. The company was registered in the Colony of the Cape of Good Hope and not in the United Kingdom. Their Articles provided that the head office should be in Kimberley. There were two boards of directorate, one in Kimberley and one in London. The company practically controlled the diamond trade of the world, and its diamonds were all sold to a syndicate, the contracts being negotiated and executed in London. Certain matters, like technical management and expenditure not exceeding £25,000, could be dealt with in Kimberley. Other matters had to be dealt with by a majority of all the directors, *i.e.*, in Kimberley and London. It was found as a fact that practically all matters relating to higher finance had been dealt with by the London board, and that the chairman of the directors, the late Cecil Rhodes, had attended every board meeting in London, although he was a resident in South Africa. The Commissioners, having considered these facts, decided that the trade was carried on within the United Kingdom at the London office, that the head seat and directing power of the company was in London, and that the company was therefore resident in the United Kingdom.

In his judgment the Lord Chancellor says: "In applying the conception of residence to a company we ought, I think, to proceed as nearly as we can upon the analogy of an individual. A company cannot eat or sleep, but it can keep house and do business. We ought, therefore, to see where it really keeps house and does business. An individual may be of foreign nationality and yet reside in the United Kingdom.

So may a company. Otherwise, it might have its chief seat of management and its centre of trading in England, under the protection of English law, and yet escape the appropriate taxation by the simple expedient of being registered abroad and distributing its dividends abroad. The decision of Chief Baron Kelly and Baron Huddleston, in the *Calcutta Jute Mills* v. *Nicholson* and the *Casena Sulphur Company* v. *Nicholson*, now 30 years ago, involved the principle that a company resides, for purposes of income tax, where its real business is carried on. Those decisions have been acted upon ever since. I regard that as the true rule, and the real business is carried on where the central management and control actually abides."

He also stated that there was evidence for the Commissioners on which they could make a finding of fact, and that therefore their conclusions of fact could not be impugned. It was contended that the foreign registration constituted it a foreign company, and that it could not therefore be resident within the United Kingdom, but I see no reason why this should be the case. Of course a foreigner can reside here, and so can a foreign company.

After this case one would have thought that the position was quite clear. The Commissioners decided against the company, and its decision was upheld in the King's Bench, the Court of Appeal and the House of Lords, yet within six months we find the New Zealand Shipping Company appealing on facts which appear to be almost identical with the *De Beers* case. The company was incorporated in New Zealand, had a separate New Zealand board of directors, which conducted all the business on the New Zealand side, and it also had a London board of directors who dealt with a good deal of the higher financial work of the company.

The Articles of the company contained over 150 clauses, and a number of these dealt with the scope and functions of the London board, such as the issue of shares, making calls, exercising borrowing powers and all other financial, commercial or administrative business not expressly entrusted to the New Zealand board. The general books of the company, comprising all their accounts, were kept at the London office at 138, Leadenhall Street, and the Commissioners found as a fact that the head or chief place of the company was situated in London, and that the business was controlled therefrom. In the Appeal Court the Master of the Rolls said: "Mr. Justice Bray, the Judge who dealt with the case in the Lower Court, says that it is impossible for the appellants to maintain their contention in the face of the *De Beers* case. I entirely agree with that, and I really do not know whether I should be justified in saying anything more upon this case."

Before dealing with the next case, *The Egyptian Hotels, Limited*, v. *Mitchell*, which was decided in the King's Bench Division in December, 1912, and finally reached the House of Lords in May, 1915, I would like to consider where we have arrived in the corporation cases.

In the *Nicholson* group, the *San Paulo*, *De Beers* and *New Zealand Shipping* cases we have all companies carrying on the bulk of their operations abroad, but in each case the board of directors met in London and dictated policies, and it was held that a corporation is resident where the control is situate. Having established residence, then liability arose on the whole of the company's profits on the ground that it was all one and the same business which was being carried on and that the liability arose to a resident "in respect of a trade or business carried on within the United Kingdom or elsewhere."

Wingate's case decided that the corporation was resident abroad, but it became liable to an assessment on the whole of its profits in the United Kingdom through its agent, Wingate & Co., owing to the fact that the Commissioners found it was exercising a trade within the United Kingdom, and, as with individuals, liability arises in respect of all profits earned in the United Kingdom whether belonging to residents or non-residents.

The *Egyptian Hotels Company, Limited*, v. *Mitchell* illustrates a successful attempt to get over the difficulties of statutory residence and avoid liability to income tax other than on profits remitted here in a case where the bulk of the company's operations were carried on abroad. In my opinion it is one of the most important of the company cases, and I will quote fully from the judgment. The Egyptian Hotels Company ran two hotels in Egypt, but the company was incorporated in England and the registered office was at 11, Ironmonger Lane, London, W. B. Peat & Co. being the secretaries. After the *De Beers* and *New Zealand Shipping* cases, the company changed its Articles to provide that henceforth a local board should be established in Egypt with complete control "to the exclusion of any other board of directors of the company." In this case the question of residence was not in dispute, as it was admitted that the company resided in the United Kingdom. I am quoting the case, however, as it represented a successful attempt to isolate the profits earned abroad. The hotels were entirely managed in Egypt by the local board; accounts were made up and audited there and then sent over to England. The Commissioners decided that the head seat and controlling power was in England, and after a lengthy consideration of the *San Paulo* and *De Beers* cases Mr. Justice Horridge, in the King's Bench Division, upheld the Commissioners' finding. The Court of Appeal reversed this decision, and in the Lords opinion was divided equally, so that the Appeal decision was upheld.

Cozens Hardy, Master of the Rolls, states: "In my view this question is really a very simple one, and does not involve any elaborate consideration of facts. The company at one time admittedly were carrying on a business in London, not because the hotels, which are their only assets, were in the United Kingdom, for they were in Egypt, but because the control of the company was in the hands of the London board of directors. The brain and management and control was there, and the authorities have plainly settled that if you find that, it does not in the least matter where the actual selling of the goods and buying of the goods takes place. Many an English company with offices in London, with a board of directors in London, carried on a business in a remote part of the world; nevertheless it has its trade carried on in London, because the management and brain of the undertaking are at the head office in London. But in August, 1908, the Articles were altered—not colourably altered—and they have been acted upon ever since. Article 118 was altered for entrusting the Egyptian board with the exclusive management and control of the Egyptian business, as to which the London board after that had no part in the carrying on of the trade, which trade was in Egypt. Such local board was to be wholly independent of any other board, and Article 122 says that the eight last preceding clauses shall be taken to override all other regulations of the company not consistent therewith. The special case finds that these were not mere forms, but the trade has since been carried on in accordance with these amended Articles. Now the whole question is this, not whether the trade has been carried on in this country in the sense of contracts being made here, but whether, although the buying and selling was out of the jurisdiction, there has been such control and direction of the London board, the general board of the company, as brings the profits earned by the trade in Egypt subject to the Income Tax Acts. It makes no difference that the London board are the persons to recommend the amount of the dividend which is payable as the result of trading. This is not the control or the brain of the company."

Channell (J.) stated: "I am of the same opinion. I think it is obvious that the spending of the profits, if any, of the business is not a carrying on of the business, nor is any other way of dealing with the profits other than spending any more a mode of carrying on a business."

In the House of Lords the Law Lords dealt with the question of potential control, and laid down that potential control is of no importance if it is not actually exercised, Lord Parker, commenting on *Colquhoun* v. *Brooks*, stating that "the important point, therefore, was not whether he had power to interfere with the trade or business, but whether he had so in fact interfered during the period for which the Crown alleged he was assessable under Case I." He then referred to the *San Paulo* case, and accepted the decision that a trade or business cannot be said to be wholly carried on abroad if it is under the control and management of persons resident in the United Kingdom. "The trade or business we have to consider is a trade or business from which profits or gains can arise, and not the business of disposing of and dividing such profits and gains when they have arisen, and I can see no reason why a corporation any less than an individual should not be engaged in more than one trade or business at the same time. It may well be possible that the

board of directors of the company still retain powers by virtue of which they could, if occasion arise, so interfere with the company's business in Egypt that such business would cease to be carried on wholly outside this country, but, as I have already pointed out, it is not what they have power to do, but what they have actually done, which is of importance for determining the question which now arises for decision. In the absence of any act done or directed by any person resident here in participation or furtherance of the business operations in Egypt from which the profits and gains in question arose, I think your Lordships are bound to come to the conclusion that this business was carried on wholly outside the United Kingdom, and therefore is within Case V rather than Case I."

Lord Sumner gives some equally interesting dicta, which I quote, as one finds in practice these are the precise points which the Revenue raise: "Where a resident in the United Kingdom is proprietor of a profit earning business wholly situate and carried on abroad he is chargeable to income tax under Case V if he takes no part in earning those profits, and if he takes any part he is chargeable under Case I. This is true whether the proprietor is an individual or a corporation, and whether he takes part in earning the profits in his own person or only by agents and servants. If he takes part at home in earning the profits, its importance relatively to that taken by his agent abroad does not matter. Control exercised here from business operations abroad, though they are far greater in volume or magnitude, will suffice for Case I. So, too, will mere oversight regularly exercised, even though actual intervention never becomes necessary—everything abroad goes smoothly without it. Some actual participation in carrying on the trade is necessary, though it may not go beyond passive oversight and tacit control. It is not enough that the proprietor merely has the legal right to intervene.

Earl Loreburn and Lord Parmoor were, however, against the company, so that it is clear that the *Egyptian Hotels* was a border line case, but the dicta has been quoted many times since the case raised important issues and laid down some important rules on the question of control.

My first two cases are *J. Hood & Co.* v. *Magee* (1918) and the recent House of Lords case, *The Swedish Central Railway* v. *Thompson*.

J. Hood & Co., Limited, v. *Magee* is an Irish case which is exceedingly interesting in that it represents an attempt to come within the *Egyptian Hotels* case.

John Hood resided in America, and carried on a business in New York and Belfast as a linen merchant and commission agent. The course of business was to buy linen in Ireland, have it bleached and finished by other firms and then folded in its own warehouses. The majority of the sales were made in America. It is to be noted that in all probability as a private firm John Hood could have claimed that he was carrying on a business controlled from New York, that the only part of the business conducted in the United Kingdom was that of purchasing, and that according to the decision in *Sulley* (6 A.C.) the mere buying of goods does not constitute a trade, and accordingly he would have been liable only on profits from sales made in the United Kingdom.

The position of the subsequent company was, however, different. By agreement, dated December 11th, 1912, John Hood sold his business to a company, John Hood & Co., Limited, in which he was the sole director but not the sole shareholder. The company was registered in the United Kingdom, the annual general meetings took place in Belfast, accounts were prepared in Belfast and dividends declared there. Moreover, the buying was done in Belfast.

In his judgment Gibson (J.) made a clear distinction between the business carried on by John Hood and the business carried on by John Hood & Co., Limited. While reserving any opinion on the position of the old business of John Hood, he stated very clearly that he had to consider the case of John Hood & Co., Limited, a company which was registered in the United Kingdom, had offices in Belfast, did certain business there—bleaching, finishing and folding the goods—and making certain sales. He held, therefore, that the company was resident in Ireland, although he admitted that the operations were controlled from New York by John Hood, who was the sole director.

"The problem before us, however, relates to a company locally domiciled and owning the entire business as conducted in Ireland and America . . . . The residence of the company cannot be determined by Mr. Hood's choice of his own residence. Wherever he went he carried his functions with him. He might have gone to Davos or Colorado. All the same, he was not the company . . . . Its commercial centre was at Belfast."

In the case the Judge emphasised the fact that residence was a question of fact. "If there was evidence from which the inference of residence could be drawn, the decision of the Commissioners binds the Court, which cannot substitute its own views for theirs."

The Courts can, therefore, only interfere where they are of the opinion that there was no evidence before the Commissioners to justify their finding.

Moreover, it is clear that the Courts do not lean towards any extension of the *Egyptian Hotels* decision, and this is again brought out in the recent case of the *Swedish Central Railway* v. *Thompson* (1924). Here the appellant company owned a railway in Sweden, and its sole income consisted of the rent, £33,500, paid by a Swedish company, to whom the railway was let. The registered offices of the appellant company were in London, where the secretary resided, but all the directors were resident in Sweden and the control of the company was exercised by them abroad, only formal administrative business being transacted in London by a committee resident there. The company was assessed to income tax, under Case V (1) of Schedule D, in respect of the income arising from stocks, shares or rents, and on appeal the Special Commissioners found that the company was resident in England, and confirmed the assessment.

It was held by Rowlatt (J.), affirming their decision and dismissing the appeal, that the company was resident in the United Kingdom and must pay tax on the whole of its profits, whether remitted or not. A company, like an individual, can have more than one residence. Residence is a question of fact on which there was evidence to support the Commissioners' finding, since, in addition to having a registered office in England, the company kept its common seal there and performed there such important functions as the payment of dividends and the keeping of its banking account.

This case also illustrates how dangerous it is for a concern trading abroad to carry out any of its functions in the United Kingdom if it desires to avail itself of the *Egyptian Hotels* ruling, and that a company, as an individual, can at law have more than one residence.

SUMMARY.

I will now finish by summarising the position as we find it after a study of the cases relating to corporations. Corporations can be divided into two classes—

(*a*) Companies registered here.

(*b*) Companies registered abroad.

With regard to (*b*) companies registered abroad (*e.g.*, *De Beers* case), they are held to be resident in the United Kingdom if the control is here, and having once been held to be resident they are liable on the whole of their profits wherever earned; if, however, the company is both registered abroad and controlled abroad it is not deemed to be resident here, and its liability is limited to profits arising from trading in the United Kingdom.

With regard to (*a*) companies registered here, these can be sub-divided into (1) those which are controlled from the United Kingdom, in which case they are held to be resident here and liable on the whole of their profits wherever earned (*e.g.*, *San Paulo Railway* and *New Zealand Shipping Company* cases), and (2) those controlled abroad, in which case (*a*) if no business is done here there is no liability other than on remittances under Case V (*Egyptian Hotels* case, where all the business, including declaration of dividends, was situate abroad); (*b*) those which, although controlled abroad, do some business in the United Kingdom, where liability exists on the whole of the profits wherever earned, as in *Hood & Co., Limited*, and the *Swedish Central Railway* cases.

I have not attempted to deal with the question of the liability of the non-resident trading in the United Kingdom, as this opens up even a larger field of study than the question of residence, and in itself would easily fill an evening's lecture.

I hope, however, that in attempting to deal fully with the question of residence, on which conception the whole of our

income tax law is based, my lecture has proved of interest and will be of material assistance to any who may be called upon at one time or other to advise on the complex question of residence and control.

Discussion.

Mr. W. D. ELGAR, F.C.A., Incorporated Accountant: Listening to the Lecturer to-night reminded me of a similar lecture by my friend Mr. Snelling in 1921. Those of you who had the pleasure of hearing that lecture will remember that Mr. Snelling gave us a mental diagram illustrative of the points which the Lecturer has dealt with to-night. You will remember that he drew a circle and then divided it. In the left half was income arising in this country, and in the other half income arising elsewhere. He then drew a horizontal line across the circle dividing it into quadrants. In the top left hand quadrant was income arising in this country belonging to residents here. The lower quadrant on the left hand side was income arising in this country belonging to foreigners. On the other side, in the right hand top quadrant was income which has arisen outside this country but belonging to residents here, and the lower right hand corner represented income arising outside this country receivable by non-residents. You can see that three of those quadrants are assessable; the one in the right hand lower corner is not assessable. I was interested to note that the Lecturer dealt with the subject very deliberately and cautiously, and one gathered that it is very difficult to determine whether you are a resident or not. In the case of *J. A. Pickles* v. *C. S. Foulsham*, Mr. Justice Rowlatt pointed out that the word "residence" must only be used as signifying the attribute of the person and not in the sense of a house or place of residence. That is very important. Now, another difficulty is that, although we read, as our worthy Chairman pointed out, that the law makes no mistake, or that the law is certain, when assessments are made I never know what case they are putting the profits under, whether under Case I or Case V. It is never explained to me when the assessments are made, and I think it would be advisable to state under what case the person is being assessed. In *Pickles* v. *Foulsham* it was Case V when it might have been Case VI. What interests me further is the methods adopted to evade the tax. In the case of income payable to a non-resident the tax (unless deducted at the source) is easily evaded by giving instructions to the party remitting to pay the amount into a London bank, or remit direct, and he usually escapes tax although he is liable. Also if an Englishman resident here has income abroad and he does not wish to have it remitted to this country, all he has to do is to visit America to collect the income or to form a corporation in New York and make advances to himself. The attorneys in New York have been busy forming such corporations for this express purpose.

Mr. H. E. FAWCETT, Incorporated Accountant: I am sure we are all very much obliged to our Lecturer this evening for the clear way in which he has told us what he had to say on a very difficult and complex subject. There was just one portion of the lecture where, perhaps, he was not quite so clear, and I should like him to tell me whether I have the right idea upon the point. He mentioned something about a company that was registered in Norway and was held to have agents, I believe, in Glasgow, and an assessment was made on the agents instead of on the company. He said that was a very important point. I presume the importance of it lies in the fact that then the assessment could only be on the profits earned in Scotland or England, and not on the whole profits of the company. The company might be earning profits in Norway or elsewhere. With regard to the question of residence, it always seems to me that the period of six months mentioned in the Act is very confusing. I take it that if a person comes to England for temporary purposes and lives in hotels or boarding houses, he could not be *prima facie* held to have residence here, and therefore in that particular case possibly the six months rule would apply. If he were in England less than six months he would not be liable, but if he had his wife and children in a house in England, immediately he comes to England for any portion of the year the fact that his wife and children were already living in the house would enable the Revenue Authorities to come down on him even if he had only stayed in England for quite a short time. I should like it confirmed as to whether I have got the right idea on that point. There is just one other matter. Sometimes there is a difficulty on the question of apportionment. Unfortunately, or fortunately for accountants, taxpayers do not always have a habit of commencing residence at the beginning or end of a year of assessment, and I was wondering how it would work out in the case of a person who commenced to have residence, say, in June in a year of assessment. Could one in that case apportion any assessment made upon him based on averages, or on previous years' figures?

Mr. J. D. BROWN, Incorporated Accountant: I should like to ask whether a person ordinarily resident in this country, but abroad for temporary purposes only, would be exempted from income tax in the fiscal year if he were away for the whole year. Mr. Hughes suggested that he would not, and I was wondering whether he knew of a case to support his view. A person might go abroad for a temporary purpose only, but circumstances might keep him abroad. How long must such a person be away so as not to be "ordinarily resident" here?

Mr. WAKELING: A case has come before me of an actor who has recently been in America. The Revenue Authorities up to this year assessed him under Schedule D, but for this year they wanted to assess him under Schedule E, stating that under Schedule E he would not have to record the income he received while in America, whereas under Schedule D he would have to bring in the total income. I have not had time to look into the Act, and I should like to know whether he was right or not.

Mr. W. STRACHAN, Incorporated Accountant: There is not much that I wish to say on this subject to-night, but one thing that strikes me on the question of residence is that if two or three countries had the same laws that we have, a person might be legally "resident" and assessable in each of them at one and the same time. That seems an anomaly, but under the law as it stands it appears to be so. There would not be much of the taxpayer's income left, I fear, after being assessed by all three. (Laughter.) Another point I was hoping the Lecturer might reach, but which he did not touch upon, was the position with regard to income from abroad of a resident in this country. He dealt only with the question of residence and remittances, but there are amounts assessable here which do not depend on remittances at all. Under sect. 5 of the 1914 Act, stocks, shares and rents are assessable on a person resident here whether remitted or not, and the same applies to income from securities held abroad. But there is one rather difficult point in connection with these sources of income. Take a trust estate abroad and the beneficiary resident here. The income is not remitted to this country. If the income arises from property, which does not come under the head of stocks, shares, rents or securities, of course it would only be assessable if remitted, but if it does come under the category of stocks, shares, rents or securities, is it assessable? or does the fact that it is part of a trust estate alter the position? It is rather a difficult point, and I do not know that there has ever been a case which has settled it. There have been some cases which have touched upon it, but none so far as I know that has made the matter clear. If our Lecturer has come across any ruling on the point perhaps he will let us know.

Mr. W. ADDISON: Supposing a lady resident in England in the ordinary way gives up her residence and lives in hotels for only a portion of the year, and travels in various countries, would she be liable for income tax on remittances which might be received from abroad by bankers here? If so, who would be assessed in her absence from England?

A STUDENT: I am afraid a fresh set of cases will be cropping up over the question of the Irish Free State. Take the case of an Irishman, who is, of course, a Britisher. If he is resident normally in Ireland, it follows from the proximity of the two countries that he will occasionally be travelling over to England. I have a case in mind where a gentleman resides in his native hills of Killarney, but occasionally comes over to England to visit his mother. He did that before the split. I have made application on his behalf on the ground of foreign residence, and the authorities said "No; this gentleman comes over to England regularly, and therefore he is resident in England as well." I grant you that dominion relief is allowed, but I think this case is a hardship. Can you tell me

whether we can get relief at once, or whether we must wait for a lawsuit?

Mr. G. H. BRIDGE, Incorporated Accountant: Certain of the war loans held by persons resident abroad are not liable to tax, provided it can be established that the holders are not ordinarily resident in this country. The income tax authorities require the holder to complete a declaration to the effect that he has not spent more than three months on an average in this country in the three preceding years. Is there any justification for asking for such a declaration? The facts might show that the person was abroad during the last preceding year only. If you change your residence from this country to another country, surely you are ordinarily resident thereafter abroad.

Mr. HUGHES: I will deal with the questions in the reverse order. Regarding the question of war loan, the making of the declaration is one of the conditions of the exemption. These securities were specifically exempted in respect of persons resident abroad, providing they complied with any conditions laid down by the Treasury. One of those conditions was that every person must complete a declaration as to residence. Two members raised points about an individual coming over here and living in hotels. It is all a question of fact. *Prima facie*, if a man comes over here and lives in an hotel, one would say, "No; he is only here for a casual purpose." But bear in mind what was laid down in the *Cadwaladar* case. Living in hotels might be that particular person's mode of residence, and if a person were here year after year and lived in hotels he might quite well be held to be residing here, although it would probably be difficult for the Revenue to keep track of such a person. As has already been stated, the exemption is a two-legged proposition. You have to prove, first, that you are not ordinarily resident here, and, secondly, that there is no intent to establish a residence. It is not "having a residence" here, but "residing" here that counts. Regarding Mr. Strachan's remarks about residence in three countries; it is undoubtedly a hardship, but I think the remedy is in the person's own hands. He should limit his remittances here and draw on his profits when he is abroad. As a resident he must pay on remittances, but all taxes which he pays in a foreign country are allowed as a deduction before bringing in his profits for assessment. Residence is at the basis of our income tax law, and if a man comes here and makes himself a resident, then he is liable. In both *Cooper* v. *Cadwaladar* and the recent case of *Swedish Central Railway* v. *Thompson* it was expressly stated that both individuals and companies could have more than one country of residence and be taxed in each. A case was also instanced of an Irishman who came over here regularly to visit his mother. If the mother had her own house and the son was over here for less than six months in the tax year, and with intent to visit and not to reside in the country the Acts do not authorise his being treated as a resident. In the case suggested by Mr. Addison there would not appear to be anyone here who could be assessed (in the lady's absence) as her agent—certainly the bank could not. If she were deemed to be a resident the Revenue would have to assess her and then rely on collecting the money when she returned. It would be difficult for them to get judgment against her on the assessment in her absence, and without this they would not have any right to obtain an order attaching the funds in the bank. With regard to Mr. Wakeling's remarks about the actor—I feel it was covered by *Thompson* v. *Bersted* and by *Pickles* v. *Foulsham*. If the man was assessed under Schedule D, other than under Case V on remittances, he could be assessed on the whole of his profits wherever earned. Since the Finance Act, 1922, all *employments* which were assessed under Case II, Schedule D, must now be assessed under Schedule E, and under that Schedule he could only be assessed in respect of employments carried on in the United Kingdom on the basis of the remuneration earned (see *Pickles* v. *Foster*). If, therefore, the inspector held that this was an employment and assessable under Schedule E, only employments in the United Kingdom could be assessed, and the New York profits would escape. If it was treated as a profession or vocation, then an assessment could be made under Schedule D on the profits of a vocation carried on abroad by a person resident in the United Kingdom, and the New York profits would accordingly be assessed. Mr. Fawcett raised a question with regard to a company which was registered abroad. So far as *Wingate* v. *Webber* was concerned, I have mentioned that the company was assessable here in the name of the agents. As a matter of fact, in this case the whole of the profits were earned in the United Kingdom, therefore they were all assessed; but having once established that the residence was abroad, the liability is only in respect of the profits which are actually earned here. If the company is resident here, the company, and not its agents, should be assessed; but if the company is not resident here, then before any agent is assessed it must be seen that he is not a broker or general commission agent—"not being an authorised person carrying on the regular agency of the non-resident person" (*vide* Rule 10, all Schedules Rules). Mr. Fawcett also raised a point with regard to one man having a residence here and being only in the country for a short time—that it was rather a hardship. I think it is not quite such a hardship as it looks. The point is really this: if a man has a residence here he is deemed to be residing here, and is *prima facie* liable unless he has been out of the country altogether during the year of assessment. Even then he will only escape liability on profits earned abroad (*Turnbull* v. *Foster*). In the case of a person who goes abroad it is all a question of fact. Assume that a man has a residence here and he goes abroad, has he done so for a temporary purpose? If he says "It is my intention to go abroad permanently" and then comes back having escaped assessment, I think the inspector, if he were able to trace the case, would be able to convince the Commissioners that the man's going abroad was not permanent, in spite of the fact that he was abroad for more than six months. He would, however, probably be difficult to trace. In the case of a person who has not a residence here, then he is deemed to have been residing here (as distinct from visiting here) if he is in the country for six months or more of the tax year. As to Mr. Fawcett's other point, I do not think there is any difficulty in the commencing of a residence in the middle of a tax year. Once it is established that a person has become a "resident" within the meaning of the Acts, then he is liable as a resident "for the whole of the tax year." On income arising here he is always liable wherever resident. On income arising abroad he is liable for that year, either on the amount arising or on the remittances, according to the nature of the foreign income. There is not such a thing as "resident for half a year." Mr. Strachan raised the rather interesting point of a trust estate abroad remitting income here, which has not been subject to United Kingdom income tax. Is the assessment to be made on income which is left abroad and not remitted (under Case V (1), Schedule D), or is it to be made on remittances only (under Case V (2), Schedule D)? I have had a case like that—more than one case in fact—and I have two in my mind at the moment. One is the case of a trust which carries on a tea estate in India. In that case the assessment is only on the business profits remitted here (under Case V (1)), and is comparatively simple. But when we come to investment income we are met by the first part of Case V, viz, is the subject matter stocks, shares or rents?

Mr. STRACHAN: That is the question. Does Case V (1) apply?

Mr. HUGHES: Presumably yes, and it is assessable on the trustees in the United Kingdom.

Mr. STRACHAN: The trustees are not here, but the beneficiary is here.

Mr. HUGHES: Then I presume the assessment would be made on the beneficiary. The beneficiary has received income from stocks, shares or rents, and I think the fact that it is tied up in a trust does not make any difference.

Mr. STRACHAN: That is the whole point—whether the fact of being part of a trust takes it out of the category which would otherwise cover it.

Mr. HUGHES: I think not. Take the *Singer* case. There we had trustees in the United Kingdom and beneficiaries abroad. It was decided that the mere fact of the trustees being here was not sufficient to render the income of the trust liable to assessment if the beneficiary or beneficiaries are non-residents. Alternatively, if you have trustees abroad that is not sufficient to take the case out of the Act. The beneficiaries—*i.e.*, those for whose benefit the trust is carried on—are the persons to be considered, and who are the ultimate

recipients of the income. The income does arise from stocks, shares or rents, and the assessment must be in respect of the amount arising therefrom.

Mr. FAWCETT: I think a man going abroad and getting naturalised abroad and then coming back here would not be liable.

Mr. HUGHES: I think the fact of his going abroad and being naturalised would be sufficient, but in all the above cases it must be borne in mind that the question of residence is material only in considering profits arising abroad. If profits arise here then they are assessable wherever the owner may reside (always excepting those Government War Stocks, the interest on which is specifically exempt from United Kingdom tax if held by persons resident abroad, a war time measure to induce foreigners to lend us their money). If the profits arise abroad then they are only assessable on a person if he is held to be a resident here, and then, generally speaking, only on remittances. Mr. Elgar stated that he never knew under what Case assessments were made. I quite agree that the assessment notices ought to provide for this, but they do not. Yet, as it was stated in *Pickles* v. *Foulsham*, the Revenue must make up their minds under what Schedule and Case they intend assessing a man. Whenever there is a doubt as to the correctness of the assessment of a particular subject matter the Revenue should always be asked under what Case the assessment is made.

Scottish Notes.

(FROM OUR CORRESPONDENT.)

Meeting of Scottish Council.

A meeting of the Council of the Scottish Institute of Accountants (the Scottish Branch of the Society, was held in Glasgow on the 26th ult. There were present Mr. D. Hill Jack, J.P. (President of the Branch), Dr. John Bell (Vice President), Mr. Wm. Robertson, F.F.A., Mr. R. T. Dunlop, Mr. J. Cradock Walker, Mr. Wm. Houston, Mr. John A. Gough, Mr. P. G. S. Ritchie (Glasgow), Mr. A. Scott Finnie (Aberdeen), Mr. Walter MacGregor, Mr. J. Stewart Seggie (Edinburgh) and Mr. James Paterson, Secretary. Apologies for absence were intimated from Mr. Robert Young (Elgin), Mr. W. L. Pattullo (Dundee), Mr. J. T. Morrison (Coatbridge), Mr. John Meikle and Mr. Arthur Batty (Glasgow) and Mr. Arch. Macintyre (Hamilton). Mr. Thomas Keens (Vice-President of the Society) was also present, and a conference took place regarding matters connected with the Society's interests in Scotland.

Luncheon to Vice-President.

On the occasion of the visit of Mr. Thomas Keens, Vice-President of the Society of Incorporated Accountants and Auditors, to Glasgow on the 26th ult., the Scottish Council and other members entertained Mr. Keens to luncheon in the Central Station Hotel, Glasgow. Mr. Wm Robertson, F.F.A. (Edinburgh), occupied the chair, and amongst those present were Dr. John Bell, Mr. R. T. Dunlop, Mr. W. Davidson Hall, Mr. P. G. S. Ritchie, Mr. J. Cradock Walker, Mr. W. D. Fisher, Mr. Robert Fraser, Mr. Wm. Houston, Mr. J. Tannett Mackenzie, Mr. John A. Gough, Mr. E. Hall Wight, Mr. James Macmichael, Mr. Wm. Hill Jack, Mr. A. M. Shaw, Mr. George Wallace (Glasgow); Mr. Walter MacGregor, Mr. J. Stewart Seggie, Mr. Cyril Bellamy, Mr. D. R. Matheson, M.A., Mr. John Stirling, B.L., B.Com. (Edinburgh); Mr. H. Walker McGregor (Johnstone); Mr. W. M. Brown (Kilmarnock); Mr. A. Scott Finnie (Aberdeen); &c., and Mr. James Paterson, Secretary. Mr. Keens addressed the meeting on current accountancy problems. After apologising for the absence of Mr. Garrett, who was detained in London, he dealt with the question of registration of the profession. He had to admit that while registration was still the policy of the Society, the problem had become much more difficult as the years passed, and it might be that other avenues would have to be explored. A great blunder had been committed more than a quarter of a century ago when registration had been turned down, and now the position of the profession was chaotic in the extreme. The Society of Incorporated Accountants, with its world-wide branches and agencies, was maintaining the highest standard, and it was open to question if registration under present conditions was expedient. In any case, the public interest was the chief consideration. Mr. Keens, having dealt with various other matters of interest to the Scottish members, referred to the proposal to have new headquarters for the Society in London, and commended the project to the favourable consideration of the Scottish members. He then spoke of the work of District Societies, and in this connection Mr. Keens jocularly remarked that it was not necessary to advise the Scottish Council as their Secretary, Mr. James Paterson, looked after their interests with vigour and pertinacity, which, he added, was a national characteristic. He thanked the Scottish Council for having given him this opportunity of meeting so many Scottish members. Mr. Robert T. Dunlop (Glasgow), Mr. J. Stewart Seggie and Mr. D. R. Matheson, M.A. (Edinburgh), also spoke.

Glasgow Merchant's Super Tax.

On 5th ult. the First Division of the Court of Session disposed of an Exchequer case in which Benjamin Jacobs, Glasgow, brought under review a decision of the Special Income Tax Commissioners for Glasgow in June, 1924, when he appealed to them against additional assessments made upon him to super tax for the years 1921, 1922, 1923 and 1924, on amounts totalling £38,491. The appellant formerly carried on business in Glasgow at various shops under various trade names. In 1916 he decided to convert these businesses into limited liability companies. This was done, and apparently five separate companies were formed. The whole of the capital of the different companies, with trivial exceptions, was issued to the appellant. None of the companies paid any dividends. The appellant continued to withdraw moneys from the companies. At the hearing of the appeal the appellant explained that he had used the sums withdrawn from the companies to finance the purchase in 1920 of property in Argyle Street, Glasgow, for £30,000, and in 1923 of property in Union Street, Glasgow, for £13,050. Most of the money was actually used to reduce a bank overdraft of £25,000, which he obtained in his own name for these purchases. The appellant contended that the companies had power to make loans, and did make loans to the appellant; and these loans, being in fact loans and alternatively not being dividends, were not therefore to be included for super tax. The Commissioners held that the loans in question had not been made in the course of the businesses carried on by the companies; that the appellant had no intention of repaying them; that he had treated them as his own moneys; and that they could not regard them as genuine loans, but must treat them as his income for the purpose of super tax. Giving effect to certain agreed adjustments of figures, the Commissioners increased the additional assessment for the first of the years under appeal to £14,900, confirmed the additional assessments for the two following years, and increased the assessment for the last year to £3,665. The question of law for the opinion of the Court was whether the Special Commissioners were entitled to find that the sums withdrawn were part of the appellant's income, and as such liable to super tax. The Division, without calling upon counsel for the respondents, the Commissioners of Inland Revenue, answered the question in the affirmative.

Dross Bings and Income Tax.

The First Division gave judgment in an exchequer case for the Inspector of Taxes against the executors of Lord Belhaven and Stenton, who died on October 31st, 1920. Lord Belhaven and Stenton was proprietor of an estate at Wishaw on which were situated certain bings of colliery dross or waste. These bings had been in existence for many years, and it was not known for certain from what collieries they were formed. They were in existence when the late Lord Belhaven and Stenton succeeded to the estate. In 1920-21 certain bings were disposed of to various parties, who paid to Lord Belhaven and Stenton or his executors £4,283 for the material. Upon the sum thus paid the Inland Revenue made an assessment

of £1,284 18s. under Schedule A, or alternately under Schedule D. The executors appealed against the assessment to the General Purposes Commissioners for the Middle Ward of Lanarkshire, before whom they contended that the agreement with reference to the bings were contracts of sales and not leases, and that the payments received constituted the price; that the property in the bing passed to the purchaser at latest on his entering on the bing, and the transaction was thus clearly differentiated from a lease of minerals; and that Lord Belhaven and Stenton did not carry on business as a dealer in dross bings, and the prices received by him did not constitute profits from a trade or vocation carried on by him. The inspector of taxes, on the other hand, submitted that this transaction was one for the making of profits, and not a mere realisation of capital; that the bings were heritable subjects and not "goods," and were analogous to minerals and capable of yielding an annual return, the annual profits derived being assessable to income tax as "other profits arising from lands, tenements, hereditaments, or heritages not being in the actual possession or occupation of the person to be charged." Alternatively, under Schedule D, the payments were assessable as "annual profits or gains not falling under any other case, Schedule D, and not charged by virtue of any other schedule." The Commissioners sustained the appeal, being unanimously of the opinion that the payments in question were not of the nature of profits chargeable under either Schedule A or Schedule D. The Judges arrived at the same conclusion as the Commissioners. The Lord President said that it was clear from the contracts that what the parties intended was a true sale and nothing else, and that the obligation undertaken to remove and take delivery of the whole materials within three months was, in his opinion, irreconcilable with lease.

Notes on Legal Cases.

[The abbreviations at the end of each of the cases refer to the following law reports, where full reports of the case may be found. The Law Reports and other reports are cited with the year and the Division, *e.g.* (1925) 2 K.B.:—

T.L.R., *Times Law Reports*; *The Times*, *The Times* Newspaper; L.J., *Law Journal*; L.J.N., *Law Journal* Newspaper; L.T., *Law Times*; L.T.N., *Law Times* Newspaper; S.J., *Solicitors' Journal*; W.N., *Weekly Notes*; S.C., *Sessions Cases* (*Scotland*); S.L.T., *Scottish Law Times*; I.L.T., *Irish Law Times*; J.P., *Justice of the Peace* (*England*); L.G.R., *Knight's Local Government Reports*; B.& C.R., *Bankruptcy and Company Cases*.

The other abbreviations used in modern reports are H.L., House of Lords; A.C., Appeal Court (House of Lords and Privy Council); C.A., Court of Appeal; Ch., Chancery Division; K.B., King's Bench Division; P., Probate, Divorce and Admiralty Division; C.S., Court of Session (Scotland); J., Mr. Justice (King's Bench or Chancery); L.J., Lord Justice; L.C., Lord Chancellor; M.R., Master of the Rolls; P., President of Probate, Divorce and Admiralty.]

COMPANY LAW.

Neuschild v. British Equatorial Oil Company, Limited.

Validity of Adjournment of Meeting for Confirmatory Resolution.

By sect. 69 of the Companies Act, 1908, "a resolution shall be a special resolution when it has been (*a*) passed in manner required for the passing of an extraordinary resolution; and (*b*) confirmed by a majority of such members entitled to vote as are present in person or by proxy (where proxies are allowed) at a subsequent general meeting, of which notice has been duly given, and held after an interval of not less than fourteen days, nor more than one month, from the date of the first meeting."

It was held that where the confirmatory resolution was passed more than a month after the date of the first meeting but was passed at the adjournment of a meeting which was duly called and held within a month of that date, the special resolution was valid, as the adjourned meeting was only a continuation of the meeting held within a month of the date of the first meeting.

(Ch.; (1925) 41 T.L.R., 414.)

INSOLVENCY.

Re Ellis.

Rights of Secured Creditor who has not Assented to Deed of Arrangement.

A secured creditor who has not assented to a deed of arrangement and claims adversely to the deed cannot, for the purpose of asserting or determining his rights, avail himself of the procedure offered by sect. 23 of the Deeds of Arrangement Act, 1914, by which the matter may be determined summarily upon application to the Court having jurisdiction in bankruptcy.

(C.A.; (1925) 41 T.L.R., 474.)

MISCELLANEOUS.

Druce v. Railway Clearing House.

War Service and Bonus.

The Court of Appeal reversed the decision of Fraser (J.) (reported in *Incorporated Accountants' Journal*, May, 1925, p. 222), and held that the word "salary" includes the grant of a war bonus.

(C.A.; (1925) 60 L.J.N., 465.)

REVENUE.

Scottish Oils, Limited, v. Commissioners of Inland Revenue.

Preference Dividends "actually paid out of those profits."

The Finance Act, 1920, sect. 52 (1) (*b*) allows a deduction from the profits of the accounting period for the purpose of corporation profits tax of any dividends "actually paid out of those profits at a fixed rate on any preference shares."

A company earned profits, as estimated for the purpose of corporation profits tax, amounting to £32,000, and also received £172,000 in dividends from subsidiary companies already charged with corporation profits tax. It paid a fixed dividend on its preference shares amounting to £194,000.

It was held that the preference dividend could not be said to have been actually paid in the first place out of the profits, but that it was only proportionately paid out of them, the proportion being the ratio which the profits bore to the total fund available for payment of the dividend.

(C.S.; (1925) S.C., 132.)

Wood v. Commissioners of Inland Revenue.

Right to set off Losses incurred in one Business against Profits earned in another.

The Finance (No. 2) Act, 1915, sect. 38 (3) provides "Where a person proves that he has sustained a loss in his trade or business, he shall be entitled to repayment of such amount paid by him as excess profits duty in respect of any previous accounting period, or to set off against any excess profits duty payable by him in respect of any succeeding accounting period, such an amount as will make the total amount of excess profits duty paid by him during the whole period accord with his profits or losses during that period."

It was held that the sub-section conferred no right on a person liable to pay excess profits duty on the profits of a business to set off losses incurred in another business carried on by him.

(C.S.; (1925) S.C., 144.)

Collins v. Commissioners of Inland Revenue.

Computation of Profits and Estimated Future Loss.

In estimating the amount of their profits for the purposes of excess profits duty a firm of paper makers claimed to be entitled

to deduct as a loss the difference between the contract prices at which they had purchased supplies of esparto grass and sulphite pulp for future delivery and the market prices ruling on the last day of the accounting period, on the ground that, owing to depression of trade and an unprecedented fall in the price of these commodities, the firm were faced with inevitable loss on their purchases.

It was held that the deduction was inadmissible, in respect that it was an attempt to set off against the ascertained profits for the accounting period a loss which, even if inevitable and such as a prudent man of business would provide against by an appropriation to reserve, was uncertain in amount and had not been actually incurred during the accounting period.

(C.S.; (1925) S.C., 151.)

Aramayo Francke Mines, Limited, v. Eccott.

Assessment of Local Board to Income Tax in Name of Agent.

The House of Lords affirmed the decision of the Court of Appeal (see *Incorporated Accountants' Journal*, September, 1924, p. 320), which affirmed the decision of Rowlatt (J.), that as the firm had submitted to the jurisdiction of the Commissioners by demanding a special case upon the assessment, that they could not contend that the assessment was void as being made at the request of the company and not at their own request; but that the assessment was bad as there was no power in the Commissioners to assess foreign agents of an English company in the name of the agents; and that upon the facts stated in the special case, the limited company were carrying on business in this country and were properly assessed by the Special Commissioners in accordance with Case 1, Schedule D to the Income Tax Act, 1842.

(H.L.; (1925) 159 L.T.N., 427.)

Alianza Company, Limited, v. Commissioners of Inland Revenue.

British Company controlled by Local Board of Directors Abroad.

The House of Lords held that it was the intention of the Legislature that any company which was entitled to the protection of the British law should be chargeable to corporation profits tax, even though the trade belonging to the company was wholly carried on abroad (Finance Act, 1920, Part V, sub-sects. 52, 53). The decision of the Court of Appeal, which affirmed the decision of Rowlatt (J.) (see *Incorporated Accountants' Journal*, August, 1923, p. 270) was affirmed.

(H.L.; (1925) 159 L.T.N., 426.)

Re Lord Exmouth's Annuity.

Inalienable Estate is not Chattels.

A fund in Court representing an inalienable annuity settled by Act of Parliament is not "chattels" within the meaning of sect. 5 (5) of the Finance Act, 1894, and must therefore be aggregated for the purpose of determining the rate of estate duty.

(Ch.; (1925) 69 S.J., 411.)

Corby v. Gordon.

Deductions from full wages for Board and Lodging.

The respondent was employed with his wife at an asylum at a joint remuneration of £360 per annum and was assessed under the Income Tax Act, 1918, Schedule D, Case II, r. 2 (1). They were provided with board and lodging but were required to make payment to the asylum in respect of those items, varying with the cost of living, which were deducted by the asylum from their salaries before payment, and the balance only was paid to the respondent, viz, £253. The Commissioners held that the amounts not actually received in cash were not assessable.

Rowlatt (J.) held that the respondent was assessable on the full salary of £360. The case was not one in which the wage earner received a salary and in addition board and lodging, or in which he had to pay back a fixed sum for board and lodging. It was a case in which he was paid a gross salary out of which he had to make payments for board and lodging, which varied with the cost of living, and were at his own risk, so that he provided himself with these necessaries out of his salary.

(K.B.; (1925) W.N., 87.)

Inland Revenue v. Renfrewshire County Council.

Sewers Vested in a Local Authority.

The Finance Act, 1921, sect. 34 (1), exempts from income tax sewers vested in a local authority, and the expression "sewer" is defined as meaning a sewer maintained by a local authority in pursuance of their statutory duties.

It was held by the Court of Session that the word "sewer" was used in sect. 34 (*ante*) in its ordinary sense and not as including the whole sewerage system maintained by a local authority, and accordingly that purification works for the treatment of sewage were not entitled to exemption from assessment to income tax.

(C.S.; (1925) S.C., 118.)

Philips v. Keane.

Deduction for Expenses Incurred and Defrayed out of Emoluments.

The President of the High Court of Justice in Ireland held that the expenses of keeping a pony and trap incurred by a schoolmaster who lived five miles away from his employment owing to inability to procure a suitable residence nearer were not expenses incurred in the performance of the duties of his office, and were not deductible for the purposes of assessment to income tax under the Income Tax Act, 1918, Schedule E, Rule 9.

(H.C.; (1925) 2 I.R., 48.)

Cooper v. Stubbs.

Speculations in Future Deliveries of Cotton is a Trade Liable to Income Tax.

Where a merchant, either in order to protect himself against a rise in the cost of cotton or for other reasons, speculates in contracts for future delivery of cotton, he is carrying on a trade or business so as to render him liable to income tax on the profits of these speculative transactions under the Income Tax Act, 1918, Schedule D, Case 1.

(K.B.; (1925) 69 S.J., 413.)

Hawley v. Commissioners of Inland Revenue.

Whether Income of year of payment or of years when profits earned is the test for Super Tax.

The appellant advanced to a company a sum of money in consideration of which a director transferred to the appellant certain shares and the company issued certain debentures and agreed that a certain proportion of the profits should be paid to him. The appellant was paid no profits 1915-18, but on January 21st, 1919, he was paid the sum of £6,000 for profits to 1917. In 1920 it was agreed that the liability of the company to 1921 was £10,000, which was paid in full satisfaction of the company's liability to him.

Rowlatt (J.) held that the £6,000 was income of the years in respect of which the profits were payable to the appellant and not of the year in which it was paid; and that as regards the £10,000, only so much of it as represented the profits of the company to which the appellant was entitled for the then current year was income of the year of payment.

(K.B.; (1925) 159 L.T.N., 244.)

Attorney-General v. Howe.

Estate Duty and Aggregation.

Settled property is aggregable with unsettled property, if estate duty is "leviable" thereon, but such duty is not leviable for the purposes of aggregation under the Finance Act, 1894, sect. 4, where estate duty on settled and unsettled property has already been paid separately.

(K.B.; (1925) 60 L.J.N., 325.)